

PUBLIC DISCLOSURE

September 30, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Summit Bank
02-34-1220**

**301 Carnegie Center
Princeton, New Jersey 08543**

Federal Reserve Bank of New York

**33 Liberty Street
New York, NY 10045**

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.

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GENERAL INFORMATION

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

*This document is an evaluation of the CRA performance of **Summit Bank** prepared by the Federal Reserve Bank of New York on behalf of the Board of Governors of the Federal Reserve System, the institution's supervisory agency, as of **September 30, 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 228.*

INSTITUTION

INSTITUTION'S CRA RATING: Summit Bank's level of compliance with the CRA is assessed as "**OUTSTANDING**," and is based on an evaluation of the performance criteria specified under the CRA with respect to the lending, investment, and service tests.

Performance under the lending test is "outstanding" based on the following:

- Summit's lending levels reflect excellent responsiveness to its assessment areas' credit needs.
- The overall geographic distribution of its lending activity reflects excellent penetration throughout its assessment areas.
- The overall distribution of lending reflects good penetration among borrowers of different income levels and business customers of different sizes.
- The level of community development lending is high responsive to community credit needs.
- Innovative or flexible lending practices are used extensively to address the credit needs of low- and moderate-income ("LMI") individuals and geographies.

Performance under the investment test is "outstanding" based on the high level of qualified investments which show that these investments are responsive to credit and community development needs.

Performance under the service test is "high satisfactory" based on the following:

- Delivery systems are reasonably accessible to geographies and individuals of different income levels in its assessment areas.
- Branch openings and closings have not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and to LMI individuals.
- Services do not vary in a way that inconveniences its assessment areas, particularly in LMI geographies and LMI individuals.
- Summit provides a relatively high level of community development services.

The following table indicates the performance level of Summit Bank with respect to the lending, investment, and service test.

PERFORMANCE LEVELS	<u>SUMMIT BANK</u>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding	X	X	
High Satisfactory			X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

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

DESCRIPTION OF INSTITUTION:

Summit Bank ("Summit"), the main subsidiary of Summit Bancorp, is a full-service commercial bank headquartered in Princeton, New Jersey. The major lines of business are commercial, retail, mortgage, private banking, and trust and investment services. As of June 30, 1997, the bank had total assets of \$20.9 billion, of which \$13.6 billion (65.1 percent) represented loans and leases. Loans secured by real estate represent most of the loans and leases.

As of September 30, 1997, Summit operated 317 branches throughout its assessment areas with the largest concentration of branches in northern and central New Jersey. This total includes 6 branches acquired in the December 1996 merger with Central Jersey Savings Bank and 19 branches acquired in the March 1997 merger with Bank of Mid Jersey. Summit's deposits totaled \$16.6 billion as of June 30, 1997.

In February 1997, Summit announced a merger with Collective Federal Savings Bank to be completed during the last quarter of 1997. Data from the savings bank are not part of this performance evaluation since the merger was not finalized at the beginning of the examination.

There are no financial or legal factors that would impede Summit in fulfilling its responsibilities under CRA.

DESCRIPTION OF ASSESSMENT AREAS:

The assessment areas include all or portions of nine metropolitan statistical areas ("MSAs") located in the state of New Jersey as described below:

- MSA 5640 (Newark, NJ) consisting of the counties of Essex, Union, Morris, and Warren. In Sussex County the portion including Andover, Byram, Fredon, Green, Hopatcong, Ogdensburg, Sparta, and Stanhope.
- MSA 0875 (Bergen-Passaic, NJ) consisting of Bergen County. In Passaic County the portion including Clifton, Passaic, Haledon, Hawthorne, Little Falls, North Haledon, Paterson, Pompton Lakes, Prospect Park, Totowa, Wayne, and West Paterson.
- MSA 5190 (Ocean-Monmouth, NJ) consisting of the counties of Ocean and Monmouth.
- MSA 5015 (Middlesex-Somerset-Hunterdon, NJ) consisting of the counties of Middlesex, Somerset, and Hunterdon.
- MSA 6160 (Philadelphia, PA- NJ) consisting of the counties of Camden and Burlington. In Gloucester County the portion including Clayton, Deptford, East Greenwich, Franklin, Glassboro, Manta, Monroe, National Park, Newfield, Paulsboro, Pitman, Washington, Wenonah, West Deptford, Westville, Woodbury, and Woodbury Heights.
- MSA 3640 (Jersey City, NJ) consisting of Hudson County.
- MSA 8480 (Trenton, NJ) consisting of Mercer County.

- MSA 8760 (Vineland-Millville-Bridgeton, NJ) consisting of Cumberland County.
- MSA 0560 (Atlantic-Cape May, NJ) consisting of a portion of Atlantic County including Buena, Buena Vista, Folsom, Hamilton, Hammonton, and Mullica.

The bank's assessment areas are in compliance with requirements of Section 228.41 of Regulation BB.

PERFORMANCE CONTEXT

The following information was obtained from the U.S. Department of Commerce-Bureau of the Census, the New Jersey Department of Labor, U.S. Department Housing and Urban Development ("HUD"), Summit Bank community development officers, and outside bankers and community groups. Housing, income, and population information is from the 1990 U.S. Census.

The assessment areas, which encompass most of the state of New Jersey, have a total population of 7.2 million, about 94 percent of the state population of 7.7 million. Of the 1.9 million families in the assessment areas, 18.6 percent are low-income, 18.2 percent are moderate-income, 24.2 percent are middle-income and 39 percent are upper-income. There are 15 fully delineated counties and 4 partially delineated counties containing a total of 1,725 census tracts used for analysis in this examination. Of the total census tracts, 440, or 26 percent, are LMI (low- and moderate-income). Twenty-three percent of the assessment areas' population resides within LMI census tracts. MSA 5640 (Newark) and MSA 0875 (Bergen-Passaic) contain 41 percent of the total population and 53 percent of the total LMI tract population in the assessment areas.

Details concerning family income data are listed in Exhibit 9.0. For a summary of census tract demographics refer to Exhibit 8.0.

New Jersey continued to exhibit strong economic growth through 1997. The annual average unemployment rate for 1997 declined to 5.4 percent from the 1996 average of 6.2 percent. This 1997 percentage was the lowest since the 1990 annual average rate of 5.1 percent. The statewide unemployment rate as of September 1997, was 5.1 percent. Between January and September 1997, MSA 5015 (Middlesex-Somerset-Hunterdon), MSA 6160 (Philadelphia PA-NJ), and MSA 5640 (Newark) posted the largest job gains. The largest employment growth across the state has been in the service industries.

The 1990 median family income for the assessment areas was \$48,018, which is comparable to the state's median family income of \$47,589. New Jersey has the second highest median family income in the nation. While New Jersey ranked second in median family income, wealth is primarily concentrated in suburban and urban areas in the central and northern MSAs. The lowest incomes are found primarily in the southern MSAs and in the urban areas. In the assessment areas, 5.6 percent of the families fall below the poverty level.

The state's six largest cities are Newark, Elizabeth, Camden, Jersey City, Paterson, and Trenton. In median family income, these cities ranked in the bottom 50 of 567 municipalities in New Jersey. In addition, these urban areas are among 27 designated by the N. J. Department of Commerce and Economic Development as Urban Enterprise Zones. An Urban Enterprise Zone designation is given to cities in need of rehabilitation and economic development, with high unemployment and a high percentage of families on welfare. The city of Camden has also been designated by the federal government as an Empowerment Zone. This designation is given to areas with pervasive poverty, unemployment, and economic distress; areas in need of long-term economic development. These areas represent the greatest opportunities for lending to LMI individuals and small businesses within the bank's assessment areas.

Housing costs are high throughout New Jersey. The 1990 median house value was \$164,034. New Jersey ranks fifth in the nation in 1990 median house values. The northern and central suburban areas of the state have the highest housing values. In 1990, only 29 out of 567 municipalities in New Jersey had median house values below the national level of \$79,000. Housing costs in relation to family incomes are an impediment to homeownership for LMI individuals in the assessment areas.

Community contacts have identified affordable housing, small business and home improvement financing as credit needs in the assessment areas. These credit needs are particularly vital to the LMI geographies. In addition, community contacts noted that the ability to make home purchase and refinance loans to LMI individuals is limited by the following factors: (1) many LMI borrowers obtained loans with greater than an 80 percent loan-to-value ("LTV") ratio, which is higher than most banks' refinancing requirements; (2) housing values in many LMI census tracts have not appreciated at the same level as in non-LMI census tracts; and (3) closing costs needed to complete these transactions are more unaffordable to LMI individuals.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**LENDING TEST**

Overall, the bank's lending performance is rated outstanding. Summit's lending levels exhibit excellent responsiveness to its assessment areas' credit needs. The overall geographic distribution of its lending activity reflects excellent penetration throughout its assessment areas. The overall distribution of loans shows good penetration among borrowers of different income levels and business customers of different sizes. The level of community development lending is high and is responsive to community credit needs.

Innovative or flexible lending practices are extensively used to address the credit needs of LMI individuals and geographies.

Lending Activity

Lending levels reflect excellent responsiveness to the assessment areas' credit needs, and a substantial majority of loans are made in the bank's assessment area. These credit needs were addressed by offering and originating a significant volume of home purchase, refinance, home improvement, and small business loans to retail customers. Many of these loans were originated under flexible underwriting criteria in response to the needs of LMI borrowers and businesses located in LMI census tracts.

Loan originations between April 1, 1996, and September 30, 1997 totaled 30,310. Of this total, 27,415, or 90.4 percent, were originated in the assessment areas, aggregating \$3 billion. Home purchase, refinance, and home improvement loans under the Home Mortgage Disclosure Act ("HMDA") represented 67 percent of the total assessment areas' originations, while small business loans amounted to 33 percent of the total.

For a summary of lending activity refer to Exhibit 1.0.

Geographic Distribution of Lending

Overall, the geographic distribution of home purchase, refinance, home improvement, and small business loan originations reflect excellent penetration throughout the assessment areas. In particular, home purchase, home improvement, and small business loan originations had an excellent geographic distribution. The geographic distribution of refinance loans is considered adequate. All loan originations were analyzed on a demand-adjusted basis by comparing the proportion of mortgage loans per thousand owner-occupied housing units and the proportion of small business loans per thousand small business establishments in each geographic area. Despite the overall strong performance, geographic distribution was weak in MSA 8480 (Trenton) and MSA 0560 (Atlantic).

Details on the geographic distribution of each loan portfolio follows:

Home Purchase Loans

Home purchase loan originations in LMI census tracts were generally equivalent to originations in non-

LMI census tracts on a demand-adjusted basis. Excellent geographic distribution was noted in the two largest MSAs, 5640 (Newark) and 0875 (Bergen-Passaic), where lending in LMI census tracts was stronger than non-LMI census tracts.

Despite the overall strong performance, geographic distribution was weak in MSA 8480 (Trenton), MSA 8760 (Vineland-Millville-Bridgeton), and MSA 0560 (Atlantic-Cape May) and the Warren County portion of MSA 5640 (Newark).

For details concerning demand-adjusted analysis for home purchase loans refer to Exhibit 2.1.

Home Improvement Loans

Home improvement loan originations in LMI census tracts were 2.4 times greater than originations in non-LMI census tracts on a demand-adjusted basis. Excellent geographic distribution was noted in the two largest, MSAs 5640 (Newark) and 0875 (Bergen-Passaic), where lending in LMI census tracts was stronger than non-LMI census tracts. In addition, excellent geographic distribution was noted in MSA 6160 (Philadelphia PA-NJ); MSA 3640 (Jersey City); MSA 8480 (Trenton); and MSA 8760 (Vineland-Millville-Bridgeton). Despite the overall strong performance, the geographic distribution was weak in MSA 0560 (Atlantic-Cape May, NJ) and in the Warren County portion of MSA 5640 (Newark).

For details concerning demand-adjusted analysis for home purchase loans refer to Exhibit 2.3.

Refinance Loans

Refinance loan originations in non-LMI census tracts were 2.2 times greater than originations in LMI census tracts on a demand-adjusted basis. Loan penetration was consistently weak and/or loan volumes were low in the LMI portions of all MSAs; however, this activity is considered adequate in relation to the performance context identified through community contacts and including peer group performance and demographic data.

The performance context revealed that the ability to make refinance loans in LMI census tracts in relatively the same quantity as non-LMI census tracts, is limited by the following: (1) many LMI borrowers obtained loans with greater than an 80 percent LTV ratio, which is higher than most banks' refinancing requirements; (2) housing values in many LMI census tracts have not appreciated at the same level as in non-LMI census tracts; and (3) closing costs needed to complete these transactions are more unaffordable to LMI individuals.

Summit's refinance performance was generally comparable or superior in comparison with peer group competitors. Summit ranked first or second out of 11 or more peer competitors in refinance loan originations in 15 of 19 counties in the assessment areas. In addition, in 13 of 17 counties in the assessment areas (2 counties do not have any LMI census tracts), Summit ranked in the top 3 out of 11 or more peer competitors in refinance loan originations in LMI census tracts.

For details concerning demand-adjusted analysis for home purchase loans refer to Exhibit 2.2.

Small Business Loans

Small business loan originations in non-LMI census tracts were only 1.3 times greater than originations in LMI census tracts on a demand-adjusted basis. In addition, Summit ranked first of ten peer banks in total small business loan originations and originations in LMI census tracts in the assessment area. Excellent geographic distribution was noted in one of the largest MSAs, 0875 (Bergen-Passaic), where lending in LMI census tracts was stronger than non-LMI census tracts. Excellent geographic distribution was also noted in MSA 5190 (Ocean-Monmouth) and MSA 8760 (Vineland-Millville-Bridgeton).

Despite the overall strong performance, the geographic distribution in MSAs 0560 (Atlantic-Cape May) and 8480 (Trenton) as well as the Essex County portion of MSA 5640 (Newark) was weak.

For details concerning demand-adjusted analysis for small business loans refer to Exhibit 2.4.

Borrower Characteristics

The overall distribution of lending reflects good penetration among borrowers of different income levels and business customers of different sizes, given the product lines (home purchase, refinance, home improvement, small business loans) offered by Summit. Lending to moderate-income borrowers was representative of the assessment area demographics. The percentage of loans to small businesses was reflective of the percentage of small businesses located in the assessment areas. Lending to low-income borrowers was considered adequate in relation to performance context identified through community contacts and including peer group performance and demographic data.

For details concerning distribution of loans across borrower income levels, refer to Exhibits 3.0 to 3.2.

Lending to Moderate-Income Borrowers

The percentage of home purchase, refinance, and home improvement loans made to moderate-income borrowers compared favorably with the percentage of moderate-income families in the assessment areas. In the assessment areas, 18 percent of the families are of moderate income while 21 percent of home purchase, 16 percent of refinance loans and 16 percent of home improvement loans were made to moderate-income borrowers. In particular, excellent home purchase lending to moderate-income borrowers was noted in the two largest MSAs, 5640 (Newark) and 0875 (Bergen-Passaic). None of the geographies had overall weak lending to moderate-income borrowers.

Lending to Low-Income Borrowers

The percentage of home purchase and refinance loans made to low-income borrowers is not consistent with the percentage of low-income families in the assessment areas. This performance level is considered adequate in relation to the performance context identified through community contacts and including peer group performance and demographic data. In the assessment areas, 19 percent of the families are low-

income while only 8 percent of home purchase and 6 percent of refinance loans were made to low-income borrowers.

The performance context identified the difficulties in making home purchase and refinance loans to low-income borrowers in volumes that reflect the percentage of low-income families in the assessment area.

These are: (1) affordability of housing in northern and central New Jersey is very low as noted by housing values in relation to the incomes of low-income borrowers; (2) real estate taxes in New Jersey are the highest in the nation further reducing affordability; and (3) refinance loans are difficult to make to low-income borrowers because of high closing costs, generally higher LTV ratios.

A review of lending to low-income borrowers by Summit's peer group revealed that lending institutions generally have difficulties generating loan volumes closely reflective of the percentage of low-income families in the assessment area. Summit's lending to low-income borrowers was generally comparable or superior in comparison with peer group competitors.

In contrast, Summit successfully made loans to low-income individuals through its home improvement loan products. In the assessment area, 19 percent of the families are low-income while 32 percent of the home improvement loans were made to low-income borrowers. This strong performance was the result of the creation of an innovative and flexible home improvement loan product available to renters as well as homeowners seeking to make home improvements. (See the Innovative and Flexible Lending Practices section of this report on page BB12 for additional product details.)

Despite the overall adequate performance, lending to low-income individuals in the southern and far western communities could be strengthened. These areas -- including MSA 0560 (Atlantic-Cape May), MSA 8760 (Vineland-Millville-Bridgeton) and the Warren County portion of MSA 5640 (Newark) -- have more affordable housing compared with other parts of the assessment area.

Lending to Small Businesses

The distribution of loans to businesses reflected a good penetration among business customers of different sizes. Of the 9,018 small business loans made in the assessment area, 6,039, or 67 percent, were for loan amounts less than or equal to \$100 thousand. The average size of the originations in this category was \$34 thousand indicating that the bank is responsive to the credit needs of the very small businesses in its assessment area.

Approximately 38 percent of the small business loans were made to businesses with reportable gross annual revenues of \$1 million or less. Another 25 percent of the small business loans were made to businesses where the gross annual revenue of the borrower was not a factor in Summit's credit decision.

These loans included loans to start-up businesses, loans based on collateral, and loans where a credit scoring system was used. If these borrowers had reported gross annual revenue, it would have been well below \$1 million in most cases. Adding these loans to those with reportable gross annual revenues of \$1 million or less produces a ratio of 63 percent. This percentage compares favorably with 83 percent of business establishments in the bank's assessment areas having gross annual revenues of \$1 million or less.

Community Development Lending

Summit is a leader in making community development loans in its assessment areas. The level of community development activity is high, totaling \$82.5 million. This total consists of \$74.7 million in loans and \$7.8 million in standby letters of credit. Of the total activity, \$73.1 million, or 88.6 percent, was originated during the examination period. Fifty two percent, or \$43 million, of the loans were made to community development service providers, and 23 percent, or \$18.9 million, were made to promote affordable housing. The loans supporting affordable housing created 504 units of housing for LMI individuals. In addition, \$20.6 million, or 25 percent, of the loans supported economic development.

For a summary of community development lending refer to Exhibit 4.0.

Summit participated in many large projects throughout its assessment areas responding to the credit needs of its community. For example, in MSA 5015 (Middlesex-Somerset-Hunterdon), the bank granted an \$11.9 million construction line of credit to build 210 units of affordable housing. A \$5 million construction line of credit was extended in MSA 5640 (Newark) to build a 120-bed skilled nursing home for LMI senior citizens. Also, in MSA 3640 (Jersey City), a \$1.5 million standby letter of credit was extended to facilitate the opening of a supermarket as part of an urban development plan. The Middlesex-Somerset-Hunterdon MSA and the Newark MSA had the highest concentration of community development lending, accounting for 28.5 percent and 16.3 percent of the lending activity, respectively.

Since community development loans are not required to be made in all MSAs or non-MSAs, a lack of community development activity in a specific geography does not detract from the MSA's evaluation.

Innovative or Flexible Lending Practices

Summit made extensive use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies. Various flexible and innovative mortgage, home improvement, and business loan products targeted to LMI borrowers and small businesses are offered throughout its assessment areas.

Approximately 2,829, or \$104 million, in flexible or innovative loans were originated during the review period.

For a summary of innovative or flexible lending activity refer to Exhibit 5.0.

Many of the mortgage products are delivered through local and regional community development organizations' residential real estate development projects. The mortgage products offer eligible borrowers low down payment, lower interest rate, and closing cost assistance options. Flexible underwriting standards are also provided to small businesses located in LMI census tracts. Home improvement loans are available to renters as well as homeowners. In particular, the Partners in Pride Mortgage Program and the Signature Loan Home Improvement Program were very successful, generating a significant amount of loan originations.

The lending programs are summarized below.

Residential Mortgage Lending

Partners in Pride Fixed-rate Mortgage Program

This 30-year fixed-rate program designed by the bank allows flexible underwriting for first-time home buyers and current homeowners purchasing a one- to four-family primary residence. The program is targeted to applicants with incomes up to 80 percent of the MSA's HUD median family income. The purchased property must be located in the bank's targeted towns and cities. These targeted towns and cities contain significant numbers of LMI individuals and LMI census tracts and are located in each MSA. In addition, the bank markets this loan product through developers constructing LMI housing regardless of location.

The Partners in Pride program offers below-market interest rates, no points, closing cost assistance, and financing up to 95 percent of the value of the purchased property. A monthly debt-to-income ratio of up to 40 percent is allowed. The borrower is required to attend a pre-closing home buyer education seminar, and attendance at a landlord education seminar is required for purchasers of two- to four-family homes.

Summit originated 902 loans totaling \$86.6 million under this program during the review period.

Freddie Mac Affordable Gold Program

Allowing flexible underwriting for purchases of primary single-family residential properties, this fixed-rate program offers mortgage loan products with terms of 15, 20, or 30 years. An applicant's income cannot exceed 100 percent of the MSA's HUD median family income. This income requirement is sometimes waived if the property is located in an LMI or minority census tract or a central city as designated by the U.S. Office of Management and Budget. Financing up to 97 percent of the value of the purchased property is permitted. A monthly debt-to-income ratio up to 40 percent is allowed and a homeownership education seminar is required prior to closing.

Summit originated 36 loans totaling \$4.4 million under this program during the review period.

New Jersey Home Mortgage Finance Agency ("NJHMFA") Home Buyers Program

This 30-year fixed-rate program allows for flexible underwriting for purchases of primary one- to four-family residential properties. The program is targeted to LMI applicants meeting state- established income requirements based on family size and location of the property. Applicants must also be first-time home buyers unless the property is located in a city that is targeted by the state of New Jersey and contains significant amounts of LMI individuals and census tracts. Financing up to 97 percent of the value of the

purchased property is permitted. A monthly debt-to-income ratio up to 36 percent is allowed and a homeownership education seminar is required prior to closing.

Summit originated 34 loans totaling \$3.4 million under this program during the review period.

Fannie Mae Community Home Buyer's Program

Allowing flexible underwriting for purchases of primary single-family residential properties, this fixed-rate program provides loan terms between 15 and 30 years. An applicant's income cannot exceed 100 percent of the MSA's HUD median family income. This income requirement is waived if the property is located in a central city as designated by the U.S. Office of Management and Budget. Financing up to 97 percent of the value of the purchased property is permitted. A monthly debt-to-income ratio up to 38 percent is allowed and a homeownership education seminar is required prior to closing.

Summit originated six loans totaling \$508 thousand under this program during the review period.

Home Improvement Lending

Signature Loan Program

This innovative loan program developed by the bank allows flexible underwriting for unsecured loans to make home repairs and improvements. The loan product has no fees and is available to homeowners and renters with limited or no credit history. An applicant's income cannot exceed 80 percent of the MSA's median family income. An interest rate of 2 percent below the bank's prevailing home improvement loan rate was available up until October 1, 1997. A monthly debt-to-income ratio up to 45 percent is permitted. The maximum loan is \$5,000 and the maximum loan term is five years.

Summit originated 1,650 loans totaling \$4.9 million under this program during the review period.

Federal Housing Administration ("FHA") Title 1 Home Improvement Loan Program

This loan program allows flexible underwriting for loans to improve or protect residential property including lead paint abatement. The loan must be secured and is available for owner-occupied and nonowner-occupied single- and multifamily properties. No equity is required for all owner-occupied properties and for loans up to \$15 thousand on non-owner-occupied properties. For non-owner-occupied properties, loans greater than \$15,000 require equity equal to the loan amount.

The maximum loan amount for a single-family dwelling is \$25 thousand and \$60 thousand for a multifamily dwelling. The term of this loan may range from 6 months to 20 years. An interest rate of 1 percent below the bank's prevailing home improvement loan rate is available for LMI borrowers and a monthly debt-to-income ratio up to 45 percent is permitted.

Summit originated 145 loans totaling \$2.7 million under this program during the review period.

Affordable Secured Home Improvement Loan Program

This loan program allows flexible underwriting for loans to make home repairs and improvements. The

loan must be secured by a second mortgage on one- to four-family owner-occupied homes with a maximum LTV ratio of 80 percent. An applicant's income cannot exceed 80 percent of the MSA's median family income. An interest rate of 1 percent below the bank's prevailing home improvement loan rate is available and a monthly debt-to-income ratio up to 45 percent is permitted. The maximum loan amount is \$25,000 and the maximum loan term is 15 years.

Summit originated 30 loans totaling \$423 thousand under this program during the review period.

Small Business Lending

Small Business Flexible Underwriting Standards

This flexible commercial lending program is targeted to small businesses located in LMI census tracts. All small businesses initially denied credit are re-reviewed for consideration under the flexible underwriting standards. These flexible underwriting standards allow for extended maturities, higher LTV ratios, and lower debt service coverage ratios. The flexible underwriting standards apply to lines of credit, term loans, and commercial mortgage loans.

Between March 28, 1997, and September 29, 1997, Summit originated 26 loans totaling \$948 thousand. Management did not track the number of loans originated under this program prior to March 28, 1997.

Summit also originated 16 small business loans totaling \$6.3 million to nonprofit organizations whose primary purpose is community development.

INVESTMENT TEST

Overall, the bank's investment performance is rated outstanding. Summit had an excellent level of qualified investments particularly of the type not routinely provided by other banks. Summit makes good use of innovative and complex investments to support community development initiatives. The bank demonstrated an excellent responsiveness to credit and community development needs by investing in facilities, organizations, and projects that support affordable housing, community services, and economic development.

Qualified investments are not required to be made in all MSAs or non-MSAs; therefore, a lack of qualified investments in a specific geography does not detract from the evaluation of that MSA or non-MSA.

Volume

Qualified investments totaled \$20.8 million. Summit made \$6.1 million in new investments during the examination period, representing 29.3 percent of the total activity. Affordable housing was supported through \$17.6 million, or 85 percent, of the total qualified investments. Of the affordable housing investments, \$14.4 million, or 81.8 percent, were low-income housing tax credits. Economic development projects received 14.8 percent or \$3 million of the total investments. The balance, less than one percent or \$130 thousand, were investments which supported community services. Most of the qualified investments were made in MSA 5640 (Newark) and MSA 5015 (Middlesex-Somerset-Hunterdon).

For a summary of investments refer to Exhibit 6.0.

Innovative and Complex

Summit makes good use of innovative and complex investments to support community development initiatives. Qualified investment activity consisted largely of investments in low-income housing tax credit projects to promote affordable housing. These investments are complex because significant time and expertise are required for its accounting treatment. Affordable housing tax credits usually require a commitment by the bank of 10 to 15 years to insure occupants of the units financed by the tax credits are LMI.

Responsiveness to Credit and Community Development Needs

Summit has demonstrated excellent responsiveness to credit and community development needs. Many of the qualified investments are tailored to the needs of a particular organization or geographic area. Equity investments in both affordable housing tax credits and community development corporations ("CDCs") provide capital which can be leveraged to borrow additional funds for the support of community development projects.

In response to the assessment areas' affordable housing needs, Summit invested \$17.6 million to create 578 units of affordable housing; 262 of those units were for LMI senior citizens. Through its \$3 million

investment in the New Jersey Housing Opportunity Fund, LLC, the bank also participated in the creation of at least another 205 units. In addition, buildings worth \$2.6 million were donated to a CDC in Somerset County in response to the organization's need for operating space to provide community development services to LMI individuals.

SERVICE TEST

Overall, the bank's availability and effectiveness of its systems for delivering retail banking services is rated high satisfactory. Delivery systems are reasonably accessible to essentially all portions of Summit's assessment areas. Branch hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI geographies and individuals. The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals. Summit provides a relatively high level of community development services in its assessment areas.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of Summit's assessment areas. The main system for delivering retail banking services is through Summit's branch network. In addition to the branch network, Summit offers automated teller machines ("ATMs"), direct mail banking, personal computer ("PC") banking, and telephone banking.

Branch Network

As of September 30, 1997, Summit operated 305 full-service branches and 12 limited service branches. Thirty of these branches are in supermarkets. Branches are located throughout the assessment areas in all MSAs and counties except for Sussex, and most of them are located in central and northern New Jersey. Branch locations reflect the location of the assessment areas' population. Accordingly, MSA 5640 (Newark), with the largest population, has the largest concentration of branches (74).

For details concerning the number of branch offices in the assessment areas refer to Exhibit 7.0.

The distribution of branches in LMI geographies adequately reflects the overall demographics of the assessment areas. A disparity exists between the population in LMI census tracts and the branch network existing in those areas. For example, 44 of the 317 branches (13.9 percent) are located in LMI census tracts, while 22.6 percent of the assessment areas' population resides in the LMI census tracts. The largest concentration of branches in LMI census tracts is located in MSA 5640 (Newark), where 31 percent of the MSA population resides in these LMI census tracts. However, only 18.9 percent (14) of these branches are located in LMI census tracts.

ATMs

The bank operates 364 24-hour ATMs in its assessment areas; 294 are located at branch offices and 70 are offsite. Of the 70 offsite ATMs, 9 (or 13 percent) are in LMI census tracts. Summit is a member of the nationwide MAC/PLUS, NYCE, Honor, and CIRRUS ATM networks.

All ATMs, except for the equipment known as Cash on the Spot Machines, accept electronic benefit transfer cards and provide various withdrawal, deposit, and transfer services. The Cash on the Spot

Machines, numbering 34 of the offsite ATMs, only dispense cash.

Summit has equipped 30 ATM machines, primarily in supermarket branch locations, with check-cashing features. Checks can be cashed up to a customer's account balance or up to the ATM withdrawal limit, whichever is lower. There are 228 ATMs that print out "quick view statements" providing the customer with transaction account information for 15- or 30-day periods. In addition, 117 ATMs offer transactions in Spanish.

Telephone Banking

In June 1997, a new telephone banking system ("Summit Direct") was implemented. This service is free to all customers and available 24 hours a day, 365 days a year. Telephone banking allows customers to review balances and checks paid, make electronic transfers between Summit accounts, obtain information on consumer loans, residential mortgage loans and current interest rates, and access investment products.

The option for bill payment and transfers ("Telephone Banking Plus") is available for \$5 a month and allows customers to pay bills from their Touch Tone telephone. In addition, all supermarket branches have access to Summit's Customer Call Center which gives customers access to a Summit representative 24 hours a day, seven days a week. Through the call center, customers can access the same services as Summit Direct.

PC Banking

In January 1997, Summit initiated its PC banking product. Summit PC banking provides a direct link to a customer's banking account 24 hours a day 365 days a year. The banking software is free to all customers, who have the option to transfer funds, open new accounts, track account activity and balances, and balance their checkbook. Customers can also pay bills for a nominal monthly fee.

Changes in Branch Locations

Summit's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals. Since the last examination, 98 branches were acquired through bank mergers, 23 new branches were opened, and 45 branches were closed. The 98 acquired branches came from the following mergers: 73 branches from the March 1996 merger with United Jersey Bank ("UJB"); 19 branches from the March 1997 merger with the Bank of Mid-Jersey, and 6 branches from the December 1996 merger with Central Jersey Savings Bank.

For a summary of branch changes refer to Exhibit 7.1.

Of the 45 closed branches, 3 were located in LMI census tracts. Twenty-nine of the branch closings were the result of the merger between Summit and UJB, and 4 branch closings resulted from the merger with Bank of Mid-Jersey. Only 12 closings were unrelated to the merger. Four of the 23 new branches were opened in LMI census tracts.

The branch closings were completed in accordance with Summit's formal written policy, which conforms to the Joint Interagency Policy Statement Regarding Branch Closings. The bank provided timely advance notification to affected customers and regulatory authorities.

Reasonableness of Business Hours and Services in Meeting Assessment Areas' Needs

Branch hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI geographies and individuals. Limited-service branches are open fewer hours or days but offer the same services and products as full-service branches. Each in-store branch is equipped with third-party check-cashing capabilities. Summit prioritized its expansion of in-store branches in an attempt to deliver services to its customers at more convenient times and locations. All 23 of the new branches are in supermarkets.

Summit is responsive to customers' needs and requests for extended branch hours. Ninety percent of the branches have extended hours once a week either on Thursday, Friday, or Saturday. In-store branches have extended hours and are open seven days a week. All in-store branches are opened 10 a.m. to 8 p.m. Monday through Friday, 10 a.m. to 6 p.m. on Saturdays, and 10 a.m. to 4 p.m. on Sundays.

The following products and services are offered at all branches: checking and savings accounts, certificates of deposits ("CDS"), personal loans and credit lines, automobile loans, residential mortgage loans, commercial loans, non-insured investment products, and small business loans.

Retail Banking Services

Deposit Products

Summit offers a low-cost checking product, a flexible CD product, and specialized checking products for senior citizens and youth. The low-cost checking product-called "New Jersey Consumer Checking"-is fitted to the needs of LMI individuals requiring an opening balance of only \$1. The checking account has no minimum balance requirement and a lower monthly maintenance fee of \$3. Customers receive eight free checks per statement cycle and additional lower cost checks, a free statement savings account, and a free ATM card.

Summit also provides a free regular checking account for seniors aged 62 and older, a free statement savings account for customers under 18 and free "Savings Plus" accounts for customers younger than 22.

Customers under 22 are required to maintain only \$200 in their "Savings Plus" accounts. One dollar is required to open the account, and there are no monthly maintenance fees for those under 22 and in school.

In addition, the "Easy Add CD" program allows customers to earn the high rates of a CD while maintaining the flexibility of a savings account. The initial deposit can be as low as \$500 and customers may make additional deposits to the Easy Add CD without extending its term.

Community Development Services

The institution provides a relatively high level of community development services in its assessment areas. Community development services targeted to LMI individuals include educational seminars on first-time home buying, small business financing, and money and budgeting. Bank employees also provide financially related technical assistance through board memberships and other activities at community development organizations.

Seminars

Summit participated or sponsored 46 first-time home buyer seminars. The seminars cover basic budgeting, credit reports, financial management for homeownership, mortgage prequalification, loan application and approval, and guidelines on working with a real estate agent. Seminars also included information on special loan products for LMI individuals.

Twenty percent of the first-time home buyer seminars took place in conjunction with nonprofit organizations such as the N.J. Home Buyers Counseling Coalition, Genesis Housing Corporation, Housing Partnership for Morris County, and the Affordable Housing Coalition of Burlington County. Whenever possible, the seminars were scheduled near public transportation.

The bank sponsored or participated in 17 small business financing seminars which dealt with alternative business financing, minority lending, and small business basics. Three Summit-sponsored money and budgeting seminars featured workshops on credit counseling, basic banking services, and homeownership counseling.

In addition, Summit participated in an Economic Development Training Symposium which included workshops on funding sources for community economic development, the commercial real estate development process, and the basics of organizing a CDC.

Technical Assistance

Summit employees serve on 50 boards of directors of organizations serving the community, housing, and economic development needs of the bank's assessment area. Examples of these organizations are Epiphany House, Paterson Task Force, Burlington County Affordable Housing Coalition, ARC of Essex County, and Collier Services Foundation.

Summit employees also provide technical assistance to 46 community development organizations. This technical assistance is provided through leadership positions at the organizations, such as loan and investment committee memberships. Support also comes in the form of fundraising assistance and financial services training. These organizations include, but are not limited to, the Glassboro Economic Development Corp., SJ Micro Loan Fund, Workforce Investment, Paterson Small Business Loan Program, Family Intervention Services, Paterson Board of Education, Somerset Economic Development Corporation, and Elijah's Promise Soup Kitchen.

Federal Home Loan Bank of New York Affordable Housing Program

Summit is a member of the Federal Home Loan Bank of New York (“FHLBNY”) and an active participant in the FHLBNY’s Affordable Housing Program (“AHP”). The purpose of AHP is to provide subsidies for (1) projects that finance homeownership for households at 80 percent or below the area median income, or (2) projects which finance rental housing where at least 20 percent of the units will be occupied by (and affordable for) households at 50 percent or below the area median income. Only member institutions of the FHLBNY can submit AHP applications. Therefore, nonprofit agencies, local governments, and community development organizations must obtain the support of member institutions if they wish to apply for AHP funds.

In addition to sponsoring an application, Summit is responsible for monitoring the approved project, recapturing funds if necessary, and ensuring that the affordable housing project is consistent with its approved program objectives. Summit has sponsored and is currently monitoring 20 affordable housing projects through this program and has overseen the distribution of grant funds totaling \$5.6 million. Summit has sponsored projects in MSA 5640 (Newark), MSA 5190 (Monmouth), MSA 5015 (Middlesex), and MSA 6160 (Camden).

COMPLIANCE WITH FAIR LENDING LAWS

No credit practices were identified that violated the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act and Home Mortgage Disclosure Act (Regulation C), and all relevant agency regulations pertaining to nondiscriminatory treatment of credit applicants.

METROPOLITAN STATISTICAL AREA ANALYSIS

MSA 5640 (NEWARK, NJ)

Overall performance in MSA 5640 is excellent. The overall distribution of loans across census tracts of different income levels in MSA 5640 (Newark) was excellent. The overall distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes.

Summit's delivery system for providing retail banking services is reasonably accessible to essentially all portions of this MSA. Opening and closing of branches in this MSA has not adversely affected the accessibility of its delivery systems.

PERFORMANCE CONTEXT

The population in MSA 5640 is 1.9 million, representing 25.6 percent of the total assessment areas' population. This MSA has the largest population in the bank's assessment area and is divided into five counties: Essex, Morris, Sussex, Union, and Warren. The MSA is a mix of both urban and suburban areas and includes Newark, the state's largest city. Of the MSA's 454 census tracts, 37.9 percent are LMI, and most of these census tracts are in Essex County, within the city of Newark.

Income Characteristics

According to the 1990 U.S. Census, median family income for the MSA is \$50,014 while the 1996 HUD estimated median family income is \$60,500. Based on the 1990 median family income, 38.7 percent of the families qualify as upper-income, 23.4 percent as middle-income, 17.7 percent as moderate-income, and 20.2 percent as low-income. The MSA has the largest concentration of LMI census tracts and LMI individuals in the assessment areas primarily located in Essex County within the City of Newark. In comparison, the 1990 median family income in the city of Newark was only \$25,816.

Housing Characteristics

This MSA has the largest concentration of owner-occupied housing units in the assessment areas. The Newark MSA's 393,553 owner-occupied housing units represent 23.3 percent of all owner-occupied housing units in the assessment areas. Thirty-two percent of the owner-occupied housing units in the MSA are located in Essex County.

Compared with the state, MSA 5640 has a relatively high ratio of median family income to housing values. The 1996 median housing value is \$185,100 while the median family income is \$60,500. The housing market is priced higher than most LMI income families can afford.

The housing market in MSA 5640 is mostly composed of single-family housing units. Of all housing units in the MSA, 75.8 percent are one- to four-family units while 22.6 percent have five units or more. In 1996, 93.8 percent of all building permits issued were for single-family housing. The MSA's owner-

occupancy rate of 56 percent is slightly lower than the state average of 59 percent. Of all housing units in the MSA, 38.8 percent are rental units and 5.5 percent are vacant. The MSA's low owner-occupancy rate is mostly attributable to the housing market in Essex County. The renter occupancy rate in Essex County is 51 percent, which is higher than the MSA rate of 37 percent and the state rate of 31 percent.

Labor, Employment, and Economic Characteristics

Declining for the fifth consecutive year, the unemployment rate averaged 5.6 percent of the labor force for the first nine months of 1997. Unemployment in September 1997 was 5.4 percent, slightly higher than the 5.1 percent unemployment figure for the state. The nine-month average unemployment ranged from 3.6 percent in suburban Morris County, traditionally among the lowest in the state, to a high of 6.9 percent in Essex County. The higher unemployment rate in Essex County is reflective of the city of Newark's 1997 average annual unemployment rate of 11 percent. Newark's high rate of unemployment and need for economic development prompted the N.J. Department of Commerce to designate the city an Urban Enterprise Zone.

The Newark MSA has the largest concentration of business establishments in the bank's assessment areas -- 77,609 businesses representing 27 percent of all business establishments in the assessment areas. Of the total number of business establishments, 23.1 percent are located in LMI census tracts. Businesses with gross annual revenues of \$1 million or less represent 83.5 percent of business establishments in the MSA; and therefore present opportunities for lending to small businesses. Essex, Union, and Morris Counties contain the highest concentrations of business establishments in the MSA; and therefore, present opportunities for lending to small businesses. Warren and Sussex Counties contain only 10 percent of the MSA's business establishments.

Details concerning family income data are listed in Exhibit 9.0.

For information concerning demographics refer to Exhibit 8.1.

LENDING TEST

Geographic Distribution of Lending

The overall distribution of loans across census tracts of different income levels in MSA 5640 (Newark) was excellent. In particular, the geographic distribution of home purchase, home improvement, and small business loans was excellent. The distribution of refinance loans was adequate.

For details concerning demand-adjusted penetration of home purchase, home improvement, refinance, and small business loans, refer to Exhibits 2.1 through 2.4.

Home Purchase Loans

The overall geographic distribution of home purchase loans was excellent. Demand-adjusted penetration in LMI census tracts was slightly greater than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 1.1 times greater for originations in LMI census tracts. Specifically, geographic distribution was strong in Essex, Union, and Morris Counties. Weak distribution was noted in Warren County.

Home Improvement Loans

The overall geographic distribution of home improvement loans was excellent. Demand-adjusted penetration in LMI census tracts was greater than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 1.2 times greater for originations in LMI census tracts. Specifically, geographic distribution was strong in Essex, Union, and Morris Counties. Weak distribution was noted in Warren County.

Refinance Loans

The overall geographic distribution of refinance activity in LMI census tracts was adequate. Demand-adjusted penetration in LMI census tracts was less than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 2.5 times greater for originations in non-LMI census tracts. This activity is considered adequate in relation to the performance context identified through community contacts and including peer group performance and demographic data.

The performance context revealed that the ability to make refinance loans in LMI census tracts in relatively the same quantity as non-LMI census tracts is limited by the following: (1) many LMI borrowers obtained loans with greater than an 80 percent LTV ratio, which is higher than most banks' refinancing requirements; (2) housing values in many LMI census tracts have not appreciated at the same level as in non-LMI census tracts; and (3) closing costs needed to complete these transactions are more unaffordable to LMI individuals.

A 1996 peer analysis ranked Summit first or second in all five counties in MSA 5640 (Newark) for the total number of refinance loans. Summit also ranked first in Union and Morris Counties for the number of refinance loans originated in LMI census tracts.

Small Business Loans

The overall geographic distribution of small business loans was excellent. On a demand-adjusted basis, small business loan originations in non-LMI census tracts were 1.7 times greater than in LMI census tracts. Specifically, geographic distribution on a demand-adjusted basis was good in Union, Morris, and Warren Counties. Weak distribution was noted in Essex County.

Summit's overall geographic distribution performance is enhanced when reviewed against the performance of other peer banks in the MSA. Summit was the first of ten peer banks in small business loan originations within the MSA in 1996. In addition, Summit was second of ten peer banks in small business loan originations in LMI census tracts within the MSA in 1996.

Borrower Characteristics

The overall distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes. Lending to moderate-income borrowers is excellent and lending to low-income borrowers is adequate. Good distribution is noted on lending to businesses of different sizes.

For details concerning distribution of lending across borrower income levels refer to Exhibits 3.0 to 3.2.

HMDA-related Loans

Overall, the distribution of loans across borrower income levels is excellent for moderate-income borrowers and adequate for low-income borrowers. In the Newark MSA 18 percent of the families are of moderate income while 17 percent of home purchase, 15 percent of refinance, and 14 percent of home improvement loans were originated to moderate-income borrowers. In the MSA 20 percent of the families are of low income while only 6 percent of home purchase and 5 percent of refinance were made to low-income borrowers. In contrast, 20 percent of home improvement loans were made to low-income borrowers.

The weak performance in home purchase and refinance originations to low-income borrowers, however, is considered adequate in relation to the performance context identified through community contacts and including peer group performance and demographic data. These factors are: (1) affordability of housing in this MSA is very low as noted by housing values in relation to the incomes of low-income borrowers; (2) real estate taxes in New Jersey are the highest in the nation, further reducing affordability; and (3) refinance loans are difficult to make to low-income borrowers because of high closing costs and generally higher LTV ratios.

The performance of similarly situated lenders in the MSA in lending to low-income borrowers supports the conclusion that all lenders generally have a difficult time making home purchase and refinance loans to low-income borrowers. The performance of similarly situated lenders in the more affordable western county of Warren, however, shows that some lenders are more successful at serving low-income

borrowers.

Small Business Loans

The distribution of loans to businesses of different sizes is good. Of the 2,503 small business loans made in this MSA, 1,624, or 64.9 percent, were for loan amounts less than or equal to \$100 thousand. The average size of the originations in this category was approximately \$37 thousand indicating that the bank is responsive to the credit needs of the very small businesses in this MSA.

Approximately 59 percent of Summit's small business loans in the MSA were made to businesses with reportable gross annual revenues of \$1 million or less or to businesses where the revenue information was not collected. This percentage compares favorably with the approximately 83 percent of business establishments in this MSA that have gross annual revenues of \$1 million or less. All five counties in this MSA had a good distribution of loans to businesses of different sizes.

Community Development Lending

Community development lending in the Newark MSA totaled \$13.5 million or 16.3 percent of the total community development lending activity in the assessment area. These loans helped create 64 units of affordable housing; 12.6 percent of the activity in this MSA was allocated to promote affordable housing. Lending in support of community services totaled 65 percent of the loan amounts while 22.5 percent of the dollars were targeted for economic development.

For information concerning community development lending refer to Exhibit 4.2.

INVESTMENT TEST

Qualified investments totaled \$7.4 million or 35.7 percent of the total investment activity in the assessment areas. Investment activity helped meet the MSA's demand for affordable housing. Seven low-income housing tax credit projects accounted for \$7.3 million or 97.5 percent of the investments. These investments led to the development of 114 units of affordable housing. A \$100 thousand equity investment in a multi-bank CDC that lends to small businesses and a \$50 thousand grant to a business development consortium targeted economic development in this MSA.

For details concerning investments refer to Exhibit 6.2.

SERVICE TEST

Accessibility of Delivery Systems

Summit's delivery system for providing retail banking services is reasonably accessible to essentially all portions of this MSA. MSA 5640 (Newark) contains the largest concentration of Summit branches and ATMs. The 74 branches dispersed throughout the MSA represent 23 percent of the bank's total branches.

Fourteen, or 19 percent, of the branches in this MSA are located in LMI census tracts and are concentrated in Union and Essex Counties. The branch network in LMI tracts does not fully reflect the size of the LMI tract population. While 19 percent of the branches are located in LMI tracts, the population residing in LMI tracts accounts for 31 percent of the total MSA population. In addition, 38 percent of all census tracts in this MSA are LMI.

For details concerning the number of branch offices refer to Exhibit 7.0.

Changes in Branch Locations

Opening and closing of branches in this MSA has not adversely affected the accessibility of its delivery systems. Fourteen branches closed and four new branches opened in MSA 5640. Of the 14 closed branches, two were located in LMI census tracts. One of the four new branches was an in-store branch in an LMI census tract in the city of Newark.

Community Development Services

Summit sponsored and administered 12 affordable housing projects through the FHLBNY's Affordable Housing Program, amounting to \$4.1 million in FHLBNY grant funds. Examples of these projects include the Vailsburg Improvement Program I and II in Newark which consist of 37 for-sale and rental units; the Family Transitional Housing Project, consisting of 103-bedroom apartments and common facilities to house homeless families; the Sunrise House Transitional Project, consisting of the moderate rehabilitation of a former Newark convent into a 22-unit HUD single room occupancy ("SRO") facility for homeless persons; and the Cheshire Home III project with a 9-bedroom group home for physically disabled adults.

Additional community development services are available in but not limited to this MSA. See page BB21 for additional information on community development services provided by the bank in the assessment area.

METROPOLITAN STATISTICAL AREA ANALYSIS

MSA 0875 (BERGEN-PASSAIC, NJ)

Overall performance in MSA 0875 is excellent. The overall distribution of loans across census tracts of different income levels is excellent. The overall distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes. Summit's delivery system for providing retail banking services is reasonably accessible to all portions of this MSA. The opening and closing of branches in this MSA have not adversely affected the accessibility of its delivery systems.

PERFORMANCE CONTEXT

Based on 1990 U. S. Census figures, the population of MSA 0875 is 1.2 million which is 16.8 percent of the population within the assessment areas. This northeastern New Jersey MSA, containing Bergen and Passaic Counties, has the second largest population in the assessment areas. Of the MSA's 256 census tracts, 26.6 percent are LMI.

The MSA is a mix of both urban and suburban areas. Bergen County is very developed with a evenly distributed population, but it lacks major cities. The population in Passaic County is concentrated in the cities of Paterson and Passaic City, which contain the majority of the county's LMI tracts and population.

Income Characteristics

The 1990 census puts median family income for the MSA at \$52,464 while the 1996 HUD adjusted median family income is \$63,400. Based on the 1990 figure, 38.8 percent of families qualify as upper-income, 23.3 percent as middle-income, 18.9 percent as moderate-income, and 18.9 percent as low-income. LMI populations are concentrated in and around Paterson and Passaic, with smaller concentrations in Hackensack. The 1990 median family incomes of the cities of Passaic and Paterson were \$30,708 and \$30,145, respectively. The percentage of families in the MSA living below the poverty line is 4.4 percent.

Housing Characteristics

Information from community contacts suggests that the MSA's housing market, particularly Bergen County, is more closely tied to the New York City housing market than most New Jersey housing markets. This MSA has the second largest concentration of owner-occupied units in the assessment areas. There are 280,839 owner-occupied housing units, which represent 16.6 percent of all owner-occupied housing units in the assessment areas. Of all housing units, 78.2 percent are one- to four-family units while 20 percent have five units or more. In 1996, 83.1 percent of all building permits issued were for single-family housing.

The 1990 MSA median housing value of \$216,664 is one-third higher than the 1990 state median of \$164,034. In addition, 87.9 percent of owner-occupied units cost more than \$150 thousand and only about 1 percent of units cost less than \$60,000. A lower proportion of owner-occupied units are low-cost

compared with the state of New Jersey as a whole, where only 56 percent of the units cost more than \$150,000 and about 5 percent of units cost less than \$60,000. The 1996 median housing value is \$199,400 while the 1996 HUD adjusted median family income is \$63,400. The housing market is priced higher than most LMI borrowers can afford.

Labor, Employment, and Economic Characteristics

Unemployment in MSA 0875 for September 1997 was 5.2 percent, close to the 5.1 percent unemployment figure for the state. This represents a significant decline from March 1996, when the unemployment rate was 6.7 percent in the Bergen-Passaic MSA and 6.5 percent for the state. In contrast, the 1997 annual average unemployment rates for the cities of Passaic and Paterson were 10.4 and 10.5 percent, respectively. The cities' high unemployment levels and economic development needs prompted the N.J. Department of Commerce to designate these cities as Urban Enterprise Zones.

Between 1990 and 1994, manufacturing jobs declined 17 percent, but employment in the service and agriculture sectors increased. These figures coincide with the New York metropolitan area's current economic expansion, marked by employment shifts from manufacturing to service. This employment change negatively impacts older urban areas, while service growth tends to be concentrated in suburban areas.

There are 53,216 business establishments in this MSA representing 19 percent of all business establishments in the bank's assessment areas. Almost 21 percent of the businesses in the MSA are located in LMI census tracts. There are 42,947 small businesses (businesses with individual gross annual revenues of \$1 million or less) within the MSA or 80.7 percent of total business establishments.

Details concerning family income data are listed in Exhibit 9.0. For information concerning demographics refer to Exhibit 8.2.

LENDING TEST

Geographic Distribution of Lending

The overall distribution of loans across census tracts of different income levels in MSA 0875 (Bergen-Passaic) is excellent. In particular, the geographic distribution of home purchase, home improvement, and small business loans is excellent. The distribution of refinance loans is adequate.

For details concerning demand-adjusted penetration of home purchase, home improvement, refinance, and small business loans, refer to Exhibits 2.1 through 2.4.

Home Purchase Loans

Home purchase lending in LMI census tracts is excellent. Demand-adjusted penetration in LMI census tracts was slightly greater than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 1.1 times greater for originations in LMI census tracts. The geographic distribution in Passaic County was particularly strong compared to activity in Bergen County.

Home Improvement Loans

Home improvement lending in LMI census tracts is excellent. Demand-adjusted penetration in LMI census tracts is significantly greater than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 2.2 times greater for originations in LMI census tracts. The geographic distribution in Bergen and Passaic Counties was particularly strong.

Refinance Loans

The overall geographic distribution of refinance activity in LMI census tracts is adequate. Demand-adjusted penetration in LMI census tracts was less than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 1.8 times greater for originations in non-LMI census tracts. This activity is considered adequate in relation to the performance context identified through community contacts and including peer group performance and demographic data.

The performance context revealed that the ability to make refinance loans in LMI census tracts in relatively the same quantity as non-LMI census tracts is limited by the following factors: (1) many LMI borrowers obtained loans with greater than an 80 percent LTV ratio, which is higher than most banks' refinancing requirements; (2) housing values have not appreciated in many LMI census tracts at the same level as non-LMI census tracts; and (3) closing costs needed to complete these transactions are more unaffordable to LMI individuals.

A 1996 peer analysis ranked Summit first and fourth in total refinance loan originations in Bergen and Passaic Counties, respectively. Summit also ranked first in Bergen County and ninth in Passaic County in the number of refinance loans originated in LMI census tracts.

Small Business Loans

The overall geographic distribution of small business loans is excellent. Demand-adjusted penetration in LMI census tracts was slightly greater than penetration in non-LMI census tracts. On a demand-adjusted basis, small business loan originations in LMI census tracts were 1.1 times greater than in non-LMI census tracts.

Borrower Characteristics

The overall distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes. Lending to moderate-income borrowers is excellent and lending to low-income borrowers is adequate. Good distribution is noted on lending to businesses of different sizes.

For details concerning distribution of lending across borrower income levels refer to Exhibits 3.0 to 3.2.

HMDA-related Loans

Overall, the distribution of loans across applicant income level is excellent for moderate-income borrowers and adequate for low-income borrowers. In the Bergen-Passaic MSA, 19 percent of the families are of moderate income while 24 percent of home purchase, 14 percent of refinance loans, and 15 percent of home improvement loans were made to moderate-income borrowers. In the MSA, 19 percent of the families are of low income while only 6 percent of home purchase and 5 percent of refinance originations were made to low-income borrowers. In contrast, 30 percent of home improvement loans were made to low-income borrowers.

The weak performance in home purchase and refinance originations to low-income borrowers, however, is considered adequate in relation to the performance context identified through community contacts and including peer group performance and demographic data. The performance context revealed the difficulties in making home purchase and refinance loans to low-income borrowers in volumes that reflect the percentage of low-income families in the MSA. These factors are: (1) affordability of housing in this MSA is very low as noted by housing values in relation to the incomes of low-income borrowers; (2) real estate taxes in New Jersey are the highest in the nation reducing further reducing affordability; and (3) refinance loans are difficult to make to low-income borrowers because of high closing costs and generally higher LTV ratios.

The performance of similarly situated lenders in Bergen and Passaic Counties in lending to borrowers of low-income supports the conclusion that all lenders generally have a difficult time making home purchase and refinance loans to low-income borrowers in volumes comparable to the low-income demographics in the counties.

Small Business Loans

The distribution of loans to businesses of different sizes is good. Of the 1,688 small business loans made in this MSA, 1,089, or 64.5 percent, were for loan amounts less than or equal to \$100 thousand. The average size of the originations in this category was approximately \$34 thousand, indicating the bank's responsiveness to the credit needs of the very small businesses.

Approximately 58 percent of Summit's small business loans were made to businesses with reportable gross annual revenues of \$1 million or less or to businesses where the revenue information was not collected.

This percentage compares favorably with the approximately 81 percent of business establishments in this MSA that have gross annual revenues of \$1 million or less.

Community Development Lending

Community development lending in the Bergen-Passaic MSA totaled \$4.7 million or 5.7 percent of the total community development lending activity in the assessment areas. Summit supported economic development projects with 63.9 percent of community development activity. Community services were supported with 25.9 percent of activity, and the remaining 10.2 percent of the funds supported development of 20 units of affordable housing.

For information concerning community development lending refer to Exhibit 4.3.

INVESTMENT TEST

Qualified investments totaled \$16 thousand or less than 1 percent of the total investment activity in the assessment area. The investments consisted of \$3 thousand in grants to promote affordable housing and \$13 thousand in grants to providers of community services.

For details concerning investments refer to Exhibit 6.3.

SERVICE TEST**Accessibility of Delivery Systems**

Summit's delivery system for providing retail banking services is reasonably accessible to all portions of the Bergen-Passaic MSA. Fifty-six branches representing 18 percent of the total number of branches in the assessment areas are dispersed throughout the MSA. Six, or 11 percent, of the 56 branches are located in LMI census tracts. The branch network in LMI tracts does not fully reflect the population in these tracts. The population residing in the LMI census tracts accounts for 24 percent of the total MSA population. In addition, 26 percent of the census tracts are LMI.

For details concerning the number of branch offices refer to Exhibit 7.0.

Changes in Branch Locations

The opening and closing of branches in this MSA have not adversely affected the accessibility of its delivery systems. Four branches were closed and seven new branches were opened. Of the seven new branches, one was located in a supermarket in an LMI census tract in Passaic County. The four closed branches were in non-LMI census tracts.

Community Development Services

Community development services are available in but not limited to this MSA. See page BB21 for additional information on community development services provided by the bank in the assessment areas.

METROPOLITAN STATISTICAL AREA ANALYSIS

MSA 5190 (MONMOUTH-OCEAN, NJ)

Overall performance in MSA 5190 is good. The overall distribution of loans across census tracts of different income levels is good. The overall distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes. Summit's delivery system for providing retail banking services are accessible to essentially all portions of this MSA. Opening and closing of branches in this MSA has not adversely affected the accessibility of its delivery systems.

PERFORMANCE CONTEXT

Based on the 1990 census figures, the population of MSA 5190 is 986 thousand, representing 13.6 percent of the population in the assessment areas. This MSA consists of Monmouth and Ocean Counties. Ocean County has a large concentration of retirement communities, with senior citizens representing 23.2 percent of the county's population. There are 227 census tracts of which 54 or 23.8 percent are LMI. Seven of the 26 LMI census tracts in Ocean County have more than 60 percent of the population over age 65.

Income Characteristics

The 1990 census median family income for the MSA is \$46,616 while the 1996 HUD estimated median family income is \$55,200. Based on the 1990 median family income figures, 37.1 percent of all families in this MSA are LMI. Ocean County has a significant population of senior citizens living in LMI census tracts. Median family income in Ocean County is \$39,797 which is lower than the MSA and the state. Income levels are lower in Ocean County because of the lower wage scales in the area and the high percentage of senior citizens.

Housing Characteristics

The 282,989 owner-occupied housing units in this MSA represent 16.7 percent of all owner-occupied housing units in the assessment areas. Single-family housing units dominate the housing market in MSA 5190. In 1995, 97 percent of the building permits issued were for single-family housing. Owner-occupied housing units total 64 percent of the housing stock while rental units represent 16.6 percent. Seasonal living patterns in the Jersey Shore beach communities account for the high vacancy rates in the MSA.

The 1996 median housing value is \$144,700 while the median family income is \$55,200. The housing market is priced higher than many LMI borrowers can afford. Housing prices in Ocean County are more affordable compared with Monmouth County. The 1990 median housing value for Monmouth County is \$180,211 while Ocean County is only \$124,737.

Labor, Employment, and Economic Characteristics

The Monmouth-Ocean MSA's 37,000 business establishments represent 13 percent of all business establishments in the assessment areas. Eighteen percent of these businesses are located in LMI census

tracts. The unemployment rate as of September 1997 in Ocean County was 5.2 percent and 4.4 percent in Monmouth County. The services sector in the MSA experienced the largest employment gain. The greatest job growth has been in the health, business, and amusement services areas as a result of the large concentration of senior citizens. Summer tourism also remains an important part of the economy.

Details concerning family income data are listed in Exhibit 9.0. For information concerning demographics refer to Exhibit 8.5.

LENDING TEST

Geographic Distribution of Lending

The overall distribution of loans across census tracts of different income levels is good. In particular, the geographic distribution of small business loans is excellent. Home purchase and home improvement lending distribution is good while refinance lending is adequate.

For details concerning demand-adjusted penetration of home purchase, home improvement, refinance, and small business loans, refer to Exhibits 2.1 through 2.4.

Home Purchase Loans

The overall home purchase activity in LMI census tracts is good based on performance context information. Demand-adjusted penetration in non-LMI census tracts was 1.7 times greater than penetration in LMI census tracts. In seven of Ocean County's 26 LMI tracts, more than 60 percent of the population is over age 65. According to community contacts, the senior population is generally asset-rich and income-poor, and more likely to purchase homes with cash rather than debt. When these seven senior citizen census tracts are excluded from the analysis, the revised demand-adjusted ratio was reduced to 1.1 for Ocean County and 1.2 for the MSA.

Peer analysis of 1996 home purchase loans in Ocean County, revealed low home purchase loan volume in LMI census tracts for most of the lenders.

Home Improvement Loans

The overall home improvement activity in LMI census tracts is good. Demand-adjusted penetration in LMI census tracts was less than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 1.9 times greater for originations in non-LMI census tracts. This activity is considered good in relation to the performance context identified through community contacts and including peer group performance and demographic data. The performance context considers that the ability to make home improvement loans in LMI census tracts-in relatively the same quantity as non-LMI census tracts-is limited because of the large senior citizen population in Ocean County.

Applying the same rationale as used for home purchase loans, when the above seven senior citizen census tracts are excluded from the analysis, the demand-adjusted ratio was reduced to 1.2 for Ocean County and 1.4 for the MSA.

Peer analysis of 1996 originations in Ocean County showed that Summit was the largest originator of home improvement loans in LMI census tracts.

Refinance Loans

The overall refinance activity in LMI census tracts is adequate. Demand-adjusted penetration in LMI census tracts was less than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 2.2 times greater for originations in non-LMI census tracts, which is considered adequate in relation to performance context noted in the home purchase and home improvement lending discussions above.

Excluding from the analysis seven census tracts that have a significant senior citizen population, the demand-adjusted ratio was reduced to 1.2 times for Ocean County and 1.5 times for the MSA. In a 1996 peer analysis, Summit ranked first in both Ocean and Monmouth Counties for the total number of refinance loans and for the number of refinance loans originated in LMI census tracts.

Small Business Loans

The overall geographic distribution of small business loans is excellent. On a demand-adjusted basis, the ratio of small business loans to business establishments in LMI census tracts was almost equal to the ratio in middle- and upper-income census tracts. Strong LMI census tract penetration was specifically noted in Ocean County.

Borrower Characteristics

The overall distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes. Lending to moderate-income borrowers is excellent and lending to low-income borrowers is adequate. Good distribution is noted in lending to businesses of different sizes.

For details concerning distribution of lending across borrower income levels refer to Exhibits 3.0 to 3.2.

HMDA-related Loans

Overall, the distribution of loans across borrower income levels is good for moderate-income borrowers and adequate for low-income borrowers. In the Monmouth-Ocean MSA, 19 percent of the families are of moderate income while 18 percent of home purchase, 16 percent of refinance loans, and 16 percent of home improvement loans were made to moderate-income borrowers. In the MSA, 18 percent of the families are of low income while only 6 percent of home purchase, 5 percent of refinance, and 9 percent of home improvement loans were made to low-income borrowers.

The weak performance in originations to low-income borrowers, however, is considered adequate in relation to the performance context identified through community contacts and including peer group performance and demographic data. The performance context identified the difficulties in making home purchase and refinance loans to low-income borrowers in volumes that reflect the percentage of low-income families in the MSA. These factors are: (1) affordability of housing in this MSA is very low as noted by housing values in relation to the incomes of low-income borrowers; (2) real estate taxes in New Jersey are the highest in the nation further reducing affordability; and (3) refinance loans are difficult to make to low-income borrowers because of high closing costs and generally higher LTV ratios.

In Monmouth and Ocean Counties, the performance of similarly situated lenders in lending to borrowers of low-income supports the conclusion that all lenders have a difficult time making home purchase and refinance loans to low-income borrowers.

Small Business Loans

The distribution of loans to businesses of different sizes is good. Of the 1,378 small business loans made in this MSA, 1,042 or 75.6 percent were for loan amounts less than or equal to \$100 thousand. The average size of the originations in this category was approximately \$34 thousand indicating that the bank is responsive to the credit needs of the very small businesses.

Approximately 71 percent of the small business loans in the MSA were made to businesses with reportable gross annual revenues of \$1 million or less or to businesses where the revenue information was not collected. This percentage compares favorably with the approximately 85 percent of business establishments in this MSA that have gross annual revenues of \$1 million or less.

Community Development Lending

Community development lending in the Monmouth-Ocean MSA totaled \$12.2 million or 14.8 percent of the total originated in the assessment areas. Activities supporting community service totaled 71.8 percent of all community development lending, while affordable housing and economic development activities represented 27 percent and 1.2 percent, respectively. Affordable housing loans helped to create 104 units of housing in this MSA.

For information concerning community development lending refer to Exhibit 4.6.

INVESTMENT TEST

Qualified investments totaled \$16 thousand, or less than 1 percent, of the total investment activity in the assessment areas. All investments were in the form of grants.

For details concerning investments refer to Exhibit 6.6.

SERVICE TEST

Accessibility of Delivery Systems

Summit's delivery system for retail banking services is accessible to essentially all portions of this MSA. The 51 branches dispersed throughout the MSA represent 16 percent of the bank's total branches in the assessment areas. Eleven, or 22 percent, of the branches in this MSA are located in LMI census tracts.

The branch network in LMI tracts reflects the population of these tracts. The population residing in these LMI census tracts accounts for 24 percent of the total MSA population. In addition, 24 percent of all census tracts in this MSA are LMI tracts.

For details concerning the number of branch offices refer to Exhibit 7.0.

Changes in Branch Locations

Opening and closing of branches in this MSA have not adversely affected the accessibility of its delivery systems. Six branches were closed and four new branches were opened. The six closed branches were located in non-LMI census tracts. Summit opened one new in-store supermarket branch in a LMI census tract in Ocean County. The other three new branches were opened in non-LMI census tracts.

Community Development Services

Summit sponsored and administered two affordable housing projects through the FHLBNY's Affordable Housing Program providing \$495,000 in FHLBNY grant funds. The projects include apartments in Asbury Park providing permanent affordable housing (with case management) to low-income, homeless women with children, and a 40-unit multifamily health care facility for mentally ill adults in Point Pleasant under the auspices of the Ocean Housing Alliance.

Additional community development services are available in but not limited to this MSA. See page BB21 for additional information on community development services provided by the bank in the assessment areas.

METROPOLITAN STATISTICAL AREA ANALYSIS

MSA 5015 (MIDDLESEX-SOMERSET-HUNTERDON)

Overall performance in MSA 5015 is excellent. The overall distribution of loans across census tracts of different income levels is excellent. The overall distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes. The delivery system for providing retail banking services is reasonably accessible to essentially all portions of this MSA. Opening and closing of branches has not adversely affected the accessibility of its delivery systems.

PERFORMANCE CONTEXT

Middlesex, Somerset, and Hunterdon Counties make up MSA 5015. The population is 1,019,835, accounting for 14 percent of the population within the assessment areas. This MSA contains 253 census tracts of which 44, or 17.4 percent, are LMI tracts. The majority of the LMI census tracts are located in Middlesex County. Only seven (16 percent) of the total census tracts are located in Somerset County and there are no LMI census tracts in Hunterdon County.

Middlesex County is a large urban and suburban county in north-central New Jersey equidistant from New York and Philadelphia. Middlesex has a total population of 672 thousand or 66 percent of the MSA population. Somerset and Hunterdon Counties contain 24 and 11 percent of the MSA population, respectively. Predominantly rural Hunterdon has historically been one of the least populated counties in the state.

Income Characteristics

The 1990 census median family income for this MSA is \$55,147 while the 1996 HUD estimated median family income is \$67,400. This MSA's high median family income makes it one of the more affluent areas in the country. The 1990 median family income is higher than the state's median family income of \$47,589. Thirty-five percent of all families in this MSA are LMI. Middlesex County has the largest concentration (72 percent) of LMI families in this MSA.

Housing Characteristics

There are 258,237 owner-occupied housing units representing 15.3 percent of all owner-occupied housing units in the assessment areas. Middlesex County has 62 percent of all the owner-occupied housing in the MSA. The 1990 median housing value is \$172,981 while the median family income is \$55,147. The housing market is priced higher than most LMI families can afford.

Housing values in both Somerset and Hunterdon Counties are extremely high when compared with other counties in the state. The 1990 median housing values in Somerset and Hunterdon Counties were \$194,825 and \$210,667, respectively.

Labor, Employment, and Economic Characteristics

This MSA's 39,860 business establishments represent 14 percent of all business establishments in the assessment areas, and 14 percent of these businesses are located in LMI census tracts. The largest concentration (58 percent) of the business establishments in this MSA is in Middlesex County.

The MSA has experienced strong economic growth. A stronger manufacturing industry combined with job gains in services and retail trade in 1997 have lowered the unemployment rate which averaged 4 percent in the first three quarters of 1997, well below the state's average of 5.6 percent.

The nine-month average unemployment rates of 3.1 percent in Hunterdon and 2.7 percent in Somerset were the lowest in the state. The nine-month average rate of unemployment in Middlesex as of September 1997 was 5.3 percent. According to the N.J. Department of Labor, this MSA will continue to be a leader in terms of the state's job growth in the near future.

Details concerning family income data are listed in Exhibit 9.0. For information concerning demographics refer to Exhibit 8.3.

LENDING TEST

Geographic Distribution of Lending

The overall distribution of loans across census tracts of different income levels in MSA 5015 (Middlesex-Somerset-Hunterdon) is excellent. In particular, the geographic distribution of home purchase and small business lending is excellent while home improvement is good. The distribution of refinance loans is adequate.

For details concerning demand-adjusted penetration of home purchase, home improvement, refinance, and small business loans, refer to Exhibits 2.1 through 2.4.

Home Purchase Loans

Overall home purchase activity in LMI census tracts is excellent. Demand-adjusted penetration in LMI census tracts was only slightly less than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was only 1.1 times greater for originations in non-LMI census tracts.

Home Improvement Loans

Overall home improvement activity in LMI census tracts is good. Demand-adjusted penetration in LMI census tracts was less than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 1.3 times greater for originations in non-LMI census tracts. The geographic distribution in Somerset County was particularly strong.

Refinance Loans

Overall refinance activity in LMI census tracts is adequate. Demand-adjusted penetration in LMI census tracts was less than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 2.6 times greater for originations in non-LMI census tracts. This activity is considered adequate in relation to the performance context identified through community contacts and including peer group information and demographic data.

The performance context revealed that the ability to make refinance loans in LMI census tracts in relatively the same quantity as non-LMI census tracts is limited by the following: (1) many LMI borrowers obtained loans with greater than an 80 percent LTV ratio which is higher than most banks' refinancing requirements; (2) housing values in many LMI census tracts have not appreciated at the same level as non-LMI census tracts; and (3) closing costs needed to complete these transactions are more unaffordable to LMI individuals.

A 1996 peer analysis ranked Summit first in all three counties in the MSA for the total number of refinance loans originated. Summit also ranked first in Middlesex and Somerset Counties in the number of refinance loans originated in LMI census tracts. (Hunterdon County has no LMI census tracts.)

Small Business Loans

The overall geographic distribution of small business loans is excellent based on peer performance in this MSA. On a demand-adjusted basis, small business loan originations in middle- and upper-income census tracts were 1.6 times greater than in LMI census tracts; however, Summit was the first of ten peer banks in small business loan originations within the MSA in 1996. In addition, Summit was second of ten peer banks in small business loan originations in LMI census tracts within the MSA in 1996. The first-ranked bank had only two additional loans originated in LMI census tracts.

Borrower Characteristics

The overall distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes. Lending to moderate-income borrowers is excellent and lending to low-income borrowers is adequate. Good distribution is noted on lending to businesses of different sizes.

For details concerning distribution of lending across borrower income levels refer to Exhibits 3.0 to 3.2.

HMDA-related Loans

Overall, the distribution of loans across borrower income levels is excellent for moderate-income borrowers and is adequate for low-income borrowers. In the MSA, 20 percent of the families are of moderate-income while 23 percent of home purchase, 20 percent of refinance loans, and 19 percent of home improvement loans were made to moderate-income borrowers. In the MSA, 16 percent of the families are of low income, while only 10 percent of home purchase and 8 percent of refinance loans were made to low-income borrowers. In contrast, 17 percent of home improvement loans were made to low-income borrowers.

The weak performance in home purchase and refinance originations to low-income borrowers, however, is considered adequate in relation to the performance context identified through community contacts and including peer group performance and demographic data. The performance context revealed the difficulties in making home purchase and refinance loans to low-income borrowers in volumes that reflect the percentage of low-income families in the MSA. These factors are: (1) affordability of housing in this MSA is very low as noted by housing values in relation to the incomes of low-income borrowers; (2) real estate taxes in New Jersey are the highest in the nation thus reducing further reducing affordability; and (3) refinance loans are difficult to make to low-income borrowers because of high closing costs and generally higher LTV value ratios.

The performance of similarly situated lenders in lending to low-income borrowers supports the conclusion that all lenders have a difficult time making home purchase and refinance loans to low-income borrowers.

Small Business Activity

The overall distribution of loans to businesses of different sizes in the MSA is good. Of the 1,609 small

business loans originated, 1,038 or 64.5 percent were for loan amounts less than or equal to \$100 thousand. The average size of the originations in this category was approximately \$37 thousand indicating the bank's responsiveness to the credit needs of very small businesses.

Approximately 62 percent of Summit's small business loans were made to businesses with reporting gross annual revenues of \$1 million or less or to businesses where the revenue information was not collected. This percentage compares favorably with the approximately 81 percent of business establishments in this MSA that have gross annual revenues of \$1 million or less.

Community Development Lending

Community development lending in the Middlesex-Somerset-Hunterdon MSA totaled \$23.2 million, or 28.2 percent, of total community development lending in the assessment areas. The promotion of affordable housing received 52 percent of the dollars, and 28 percent of the activity targeted economic development. The balance of 20 percent supported community services. Through these activities 250 units of affordable housing were created. One affordable housing project in this area created 210 units for LMI individuals in Somerset County.

For information concerning community development lending refer to Exhibit 4.4.

INVESTMENT TEST

Qualified investments totaled \$6.6 million or 31.5 percent of the total investment activity in the assessment areas. The volume of investments was strong in this MSA, and the bank demonstrated excellent responsiveness to the credit needs of the community. The promotion of affordable housing received 60 percent of the dollars allocated to this MSA. One low-income housing tax credit project in this MSA created 171 units of affordable housing for senior citizens. The donation of a building valued at \$2.6 million to a local community development corporation accounted for 39.3 percent of the investments. The balance of the funds was in donations and grants.

For details concerning investments refer to Exhibit 6.4.

SERVICE TEST**Accessibility of Delivery Systems**

Summit's delivery system for retail banking services is reasonably accessible to essentially all portions of this MSA. The bank's 57 branches here represent 18 percent of the bank's total branches in the assessment areas. Three branches representing 5 percent of the branches in this MSA are located in LMI census tracts. The branch network in LMI tracts does not fully reflect the population that resides in these tracts. The population residing in the LMI census tracts accounts for 16 percent of the total MSA population. In addition, 17 percent of all census tracts in this MSA are LMI census tracts.

For details concerning the number of branch offices refer to Exhibit 7.0.

Changes in Branch Locations

Opening and closing of branches have not adversely affected the accessibility of its delivery systems. Twelve branches were closed and two new branches were opened in MSA 5015. The 12 closed branches were located in non-LMI census tracts. The two new branches opened in non-LMI census tracts.

Community Development Services

Community development services are available in, but not limited to, this MSA. See page BB21 for additional information on community development services provided by the bank in the assessment areas.

METROPOLITAN STATISTICAL ANALYSIS

MSA 6160 (PHILADELPHIA, PA-NJ)

Overall performance in MSA 6160 is good. The overall distribution of loans across census tracts of different income levels in the Philadelphia, PA-NJ MSA is good. The overall distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes. The delivery system for providing retail banking services is reasonably accessible to essentially all portions of this MSA. Opening and closing of branches have not adversely affected the accessibility of its delivery systems.

PERFORMANCE CONTEXT

Burlington County, Gloucester County, and Camden County constitute MSA 6160. The population is 1,108,902, representing 15.2 percent of the total population in the assessment areas. This MSA contains 278 census tracts of which 43 tracts or 15.5 percent are LMI tracts. Fourteen percent of the population resides in these LMI tracts. Camden County has 45 percent of the MSA population while Burlington and Gloucester Counties account for 35.6 and 19 percent of the MSA population, respectively.

In the city of Camden, located in Camden County, population has declined dramatically in recent years. The city has been named a Federal Empowerment Zone as part of the federal program to create long-term economic development in areas of pervasive poverty, unemployment, and general distress.

Income Characteristics

The 1990 census median family income for the MSA is \$44,516 while the 1996 HUD estimated median family income is \$49,300. Based on the 1990 median family income figure, 33 percent of all families in the MSA are LMI, 25.2 percent are middle income, and 41.6 percent are upper income.

The 1990 median family income in the city of Camden was only \$18,875, however, and 35 percent of the city's families live below the poverty line. Camden County has 120 census tracts of which 22.4 percent qualify as LMI. These LMI census tracts are concentrated in the city of Camden, with 95 percent of its 20 census tracts qualifying as LMI.

Housing Characteristics

Of the 284,077 owner-occupied housing units in the MSA, 44 percent are located in Camden County, 36 percent in Burlington County, and 19 percent in Gloucester County. The 1990 median housing value is \$106,723. The aging housing stock in cities, coupled with the limited financial ability of residents, creates the need to preserve and rehabilitate owner-occupied housing. Low-income first-time home buyers need down payment assistance, credit counseling, and home maintenance training. Offering moderate housing rehabilitation programs for owner- and renter-occupied housing and preserving and expanding the supply of affordable housing are priorities in Camden County.

Labor, Employment, and Economic Characteristics

The 39,463 business establishments in this MSA represent 13.9 percent of all business establishments in the bank's assessment areas. Eleven percent of these businesses are located in LMI census tracts. The largest concentration of business establishments -- 47 percent of all business establishments in this MSA-is in Camden County.

According to the N.J. Department of Labor, nearly all of the area's 1996-to-1997 employment gain was in the service-producing sector with the largest gains in the health, business, amusement, and educational services. The unemployment rate in Camden County as of September 1997 was 4.8 percent. The problem of unemployment is acute in the city of Camden where the unemployment rate in September 1997 increased to 18.9 percent.

Also in September 1997, Burlington County had an annual average unemployment rate of 3.9 percent. Burlington County's diversified economy includes two military facilities and a minimum security federal correctional institution, but downsizing at the military facilities has created economic challenges for the county. Gloucester County's annual average unemployment rate in September 1997 was 4.9 percent.

Details concerning family income data are listed in Exhibit 9.0. For information concerning demographics refer to Exhibit 8.4.

LENDING TEST

Geographic Distribution of Lending

The overall distribution of loans across census tracts of different income levels in MSA 6160 (Philadelphia, PA-NJ) is good. In particular, the geographic distribution of small business and home improvement loans is excellent while home purchase loans are good. The distribution of refinance loans is adequate.

For details concerning demand-adjusted penetration of home purchase, home improvement, refinance, and small business loans, refer to Exhibits 2.1 through 2.4.

Home Purchase Loans

Home purchase activity in LMI census tracts is good overall. Demand-adjusted penetration in LMI census tracts was two times greater than penetration in non-LMI census tracts. Although the demand-adjusted penetrations are strong, the overall volume of loans originated in the MSA was low when compared with other lenders in the market and the number of owner-occupied units in the MSA.

Home Improvement Loans

Overall home improvement activity in LMI census tracts is excellent. Demand-adjusted penetration in LMI census tracts is significantly greater than penetration in non-LMI census tracts, with loan activity 15 times greater for originations in LMI census tracts. Most of this lending was in Camden County.

Refinance Loans

Refinance activity in LMI census tracts is adequate overall. Demand-adjusted penetration in LMI census tracts was less than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 1.9 times greater for originations in non-LMI census tracts. This activity is considered adequate in relation to the performance context identified through community contacts and including peer group information and demographic data.

The performance context revealed that the ability to make refinance loans in LMI census tracts in relatively the same quantity as non-LMI census tracts is limited by the following: (1) many LMI borrowers obtained loans with greater than an 80 percent LTV ratio which is higher than most banks' refinancing requirements; (2) housing values have not appreciated in many LMI census tracts at the same level as non-LMI census tracts; and (3) closing costs needed to complete these transactions are more unaffordable to LMI individuals.

The performance of similarly situated lenders in lending to low-income borrowers supports the conclusion that all lenders have a difficult time making home purchase and refinance loans to low-income borrowers.

A 1996 peer analysis noted low refinance lending volumes in LMI census tracts for all lenders in the

MSA's three counties.

Small Business Loans

Overall small business loan activity in LMI census tracts is good. Loan activity on a demand-adjusted basis was only 1.2 times greater in non-LMI census tracts than in LMI census tracts.

Borrower Characteristics

The overall distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes. Lending to moderate-income borrowers is excellent and lending to low-income borrowers is adequate. Good distribution is noted on lending to businesses of different sizes.

For details concerning distribution of lending across borrower income levels refer to Exhibits 3.0 to 3.2.

HMDA-related Loans

Overall, the distribution of loans across borrower income levels is excellent for LMI borrowers. In the MSA, 17 percent of the families are of moderate income while 32 percent of home purchase, 17 percent of refinance, and 13 percent of the home improvement loans were made to moderate-income borrowers. In the MSA, 16 percent of the families are of low income while 23 percent of home purchase, and 60 percent of home improvement loans were made to low-income borrowers. In contrast, only 6 percent of refinance loans were made to low-income borrowers.

The ability to make home purchase loans to low-income borrowers reflects the lower housing costs in this MSA in relation to other more unaffordable locations in the assessment areas. Refinance loans are more difficult to make to low-income borrowers because of high closing costs and generally higher LTV ratios.

Small Business Activity

The distribution of loans to businesses of different sizes in the MSA is good overall. Of the 928 small business loans originated, 645 or 69.5 percent were for loan amounts less than or equal to \$100 thousand. The average size of the originations in this category was approximately \$38 thousand indicating that the bank is responsive to the credit needs of the very small businesses.

Approximately 67 percent of the small business loans were made to businesses with reportable gross annual revenues of \$1 million or less or to businesses where the revenue information was not collected. This percentage compares favorably with the approximately 82 percent of business establishments in this MSA that have gross annual revenues of \$1 million or less.

Community Development Lending

Community development lending in this MSA totaled \$9.3 million or 11.3 percent of total originations in the assessment areas. Summit supported community services with 91.3 percent of its community development lending while the remainder of the lending promoted affordable housing.

For information concerning community development lending refer to Exhibit 4.5.

INVESTMENT TEST

Qualified investments totaled \$313 thousand or 1.5 percent of the total investment activity in the assessment areas. Except for a \$50 thousand deposit in a community development credit union, all investments made were in the form of grants. Economic development was supported with 83.4 percent of the dollars invested while affordable housing and community services received 15 percent and 1.6 percent of the dollars, respectively. A project targeted at redeveloping North Camden was granted \$130 thousand. Another large economic development organization received \$53 thousand in grants.

For details concerning investments refer to Exhibit 6.5.

SERVICE TEST**Accessibility of Delivery Systems**

The delivery system for retail banking services is reasonably accessible to essentially all portions of this MSA. Summit's 36 branches here represent 11 percent of the bank's total branches in the assessment area. Four branches, or 11 percent of the branches in this MSA, are located in LMI census tracts. The branch network in LMI tracts adequately reflects the population residing in these tracts, which accounts for 15 percent of the total MSA population. In addition, 16 percent of all census tracts in this MSA are LMI.

For details concerning the number of branch offices refer to Exhibit 7.0.

Changes in Branch Locations

Opening and closing of branches have not adversely affected the accessibility of its delivery systems. Four branches were closed and two new branches were opened in the MSA. Summit closed one branch in an LMI census tract and three in non-LMI census tracts. The two new branches are located in non-LMI census tracts.

Community Development Services

Summit has sponsored and administered three affordable housing projects through the FHLBNY's Affordable Housing Program providing \$289,600 in FHLBNY grant funds. One of these projects includes properties that will be used for transitional housing for AIDS/HIV affected individuals and commercial space for the AIDS Coalition's Friends in Deed Thrift Store. The Jersey Counseling and Housing Development, Inc. and the St. Joseph's Carpenter Society are sponsoring the other two projects.

Additional community development services are available in but not limited to this MSA. See page BB21 for additional information on community development services provided by the bank in the assessment areas.

METROPOLITAN STATISTICAL AREA ANALYSIS

MSA 3640 (JERSEY CITY, NJ)

Overall performance in MSA 3640 is good. The overall distribution of loans across census tracts of different income levels is good. The overall distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes. The delivery systems for providing retail banking services are accessible to essentially all portions of the Jersey City MSA. Opening and closing of branches have not adversely affected the accessibility of its delivery systems.

PERFORMANCE CONTEXT

MSA 3640, located in northern New Jersey, consists of Hudson County, the smallest yet most densely populated county in the state. The urban county includes the 12 municipalities of Bayonne, Jersey City, East Newark, Guttenberg, Harrison, Hoboken, Kearney, North Bergen, Secaucus, Union City, Weehawken, and West New York. The county's total population in 1990 was 553,099, representing 7.6 percent of the population within the total assessment areas.

LMI census tracts constitute 20.5 percent of the census tracts in the MSA. Jersey City has the largest concentration of LMI tracts in Hudson County. With a population of 228 thousand, Jersey City is the most populous municipality in Hudson County and the second most populated city in the state. In the last ten years, there has been a substantial influx of immigrants to Hudson County. Thirty percent of all residents in the county are foreign born, compared with only 13 percent of all residents in the state. The second most populated municipality in Hudson County is Bayonne with a population of 61,444.

Income Characteristics

The 1990 census median family income for the MSA is \$35,250 while the 1996 HUD estimated median family income is \$43,100. The 1990 median family income is significantly lower than the 1990 state median family income of \$47,589. In 1990, Hudson County had the second lowest median family income of all 21 counties in New Jersey.

The percentage of families in Hudson County below the poverty line in 1990 was 12.4 percent. Hudson County ranked second behind Essex County for the highest number of persons in poverty and ranked first in the percentage of population living in poverty. Of all families in the MSA, 39.7 percent qualify as upper-income, 21.1 percent as middle-income, 16.2 percent as moderate-income, and 22.9 percent as low-income.

Housing Characteristics

The MSA's 67,837 owner-occupied housing units represent 4 percent of all owner-occupied housing units

in the assessment areas. Sixty-one percent of the housing units are renter-occupied and only 29.5 percent are owner-occupied units, which is significantly lower than the state rate of 59 percent for owner-occupied units. Single-family structures account for 13.5 percent of the units, two- to four-family structures account for 42.4 percent, and structures of five or more units account for 42.2 percent of all units.

The 1990 median housing value is \$157,369 while the median family income is \$35,250. The housing market is priced much higher than most LMI families can afford. The high housing costs significantly deter homeownership opportunities in Hudson County.

Labor, Employment, and Economic Characteristics

According to the N.J. Department of Labor, Hudson County has the highest unemployment rate of the 21 counties in New Jersey. The county's unemployment rate in March 1996 was 9.3 percent and in September 1997 had improved to 7.8 percent, but still remains above the state's rate of 5.1 percent.

The 17,596 business establishments in this MSA represent 6.2 percent of all business establishments in the assessment areas. Of the total business establishments, 22.5 percent are located within LMI census tracts. Of the total businesses, 14,665 or 83.3 percent have gross annual revenues of \$1 million or less.

Hudson County's job growth in 1996 was concentrated in the services industry. The employment trends over the last two decades resulted in significant increases in white collar occupations such as managerial and professional specialties, technical sales and administrative support, and service occupations. Blue collar occupations such as operators, fabricators, laborers, and precision production declined by 9.4 percent. The decrease in industrial activity over the last 20 years has created many vacant and debilitated industrial buildings and areas throughout the county. The significant decrease in the shipping industry over the last 20 years has resulted in the steady closing of the area's port facilities.

Still there has been major office development in the waterfront area in Jersey City. For example, in December 1996, Dow Jones, Inc. and Coopers & Lybrand relocated their headquarters from Manhattan to the Harborside Financial Center. In addition, the New York Daily News began operations at its new printing facility in Jersey City. Other waterfront projects in progress include a Hoboken waterfront revitalization, the Hudson-Bergen Light Rail Transit System, and the Secaucus Transfer/Allied Junction Complex which will include a publicly run railroad station connected to a privately run 40-story office, hotel, and retail complex in Secaucus and Jersey City.

Details concerning family income data are listed in Exhibit 9.0. For information concerning demographics refer to Exhibit 8.6.

LENDING TEST

Geographic Distribution of Lending

The overall distribution of loans across census tracts of different income levels in MSA 3640 (Jersey City) is good. In particular, the geographic distribution of home purchase and small business loans is good and home improvement loans are excellent. The distribution of refinance loans is adequate.

For details concerning demand-adjusted penetration of home purchase, home improvement, refinance, and small business loans, refer to Exhibits 2.1 through 2.4.

Home Purchase Loans

Overall home purchase activity in LMI census tracts is good. Demand-adjusted penetration in LMI census tracts was less than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 1.4 times greater for originations in non-LMI census tracts.

Home Improvement Loans

Home improvement activity in LMI census tracts is excellent overall. Demand-adjusted penetration in LMI census tracts is significantly greater than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 2.9 times greater for originations in LMI census tracts.

Refinance Loans

Overall refinance activity in LMI census tracts is adequate. Demand-adjusted penetration in LMI census tracts was less than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 1.4 times greater for originations in non-LMI census tracts. The overall refinance loan volume was very low in this MSA but considered adequate in relation to the performance context identified through community contacts and including peer group information and demographic data.

The performance context revealed that the ability to make refinance loans in LMI census tracts in relatively the same quantity as non-LMI census tracts is limited by the following: (1) many LMI borrowers obtained loans with greater than an 80 percent LTV ratio which is higher than most banks' refinancing requirements; (2) housing values have not appreciated in many LMI census tracts at the same level as in non-LMI census tracts; and (3) closing costs needed to complete these transactions are more unaffordable to LMI individuals.

A 1996 peer analysis noted low refinance lending volumes for all lenders in LMI census tracts in the MSA.

Small Business Loans

Overall geographic distribution of small business loans is good. Demand-adjusted penetration in LMI census tracts was less than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was only 1.2 times greater in non-LMI census tracts.

Borrower Characteristics

The overall distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes. Lending to moderate-income borrowers is good and lending to low-income borrowers is adequate. Good distribution is noted on lending to businesses of different sizes.

For details concerning distribution of lending across borrower income levels refer to Exhibits 3.0 to 3.2.

HMDA-related Loans

Overall, the distribution of loans across borrower income level is good for moderate-income borrowers and is adequate for low-income borrowers. In the MSA, 16 percent of the families are of moderate-income while 12 percent of home purchase, 8 percent of refinance, and 30 percent of home improvement loans were made to moderate-income borrowers. In the MSA, 23 percent of the families are of low income while only 2 percent of home purchase and 4 percent of refinance loans were made to low-income borrowers. In contrast, 49 percent of home improvement loans were made to low-income borrowers.

The weak performance in home purchase and refinance originations to low-income borrowers, however, is considered adequate in relation to the performance context identified through community contacts and including peer group performance and demographic data. The performance context revealed the difficulties in making home purchase and refinance loans to low-income borrowers in volumes that reflect the percentage of low-income families in the MSA.

These factors are: (1) affordability of housing in this MSA is very low as noted by housing values in relation to the incomes of low-income borrowers; (2) real estate taxes in New Jersey are the highest in the nation further reducing affordability; and (3) refinance loans are difficult to make to low-income borrowers because of high closing costs and generally higher LTV ratios.

The performance of similarly situated lenders in lending to low-income borrowers supports the conclusion that all lenders have a difficult time making purchase mortgage and refinance loans to low-income borrowers.

Small Business Loans

The distribution of loans to businesses of different sizes in the MSA is good. Of the 279 small business loans made, 195 or 70 percent were for loan amounts less than or equal to \$100 thousand. The average size of the originations in this category was approximately \$32 thousand indicating the bank's responsiveness to the credit needs of very small businesses in this MSA.

Approximately 65 percent of the small business loans were made to businesses with reportable gross annual revenues of \$1 million or less or to businesses where the revenue information was not collected. This percentage compares favorably with the approximately 83 percent of business establishments in this MSA that have gross annual revenues of \$1 million or less.

Community Development Lending

Community development lending in this MSA totaled \$10.7 million or 13 percent of community development lending activity in the assessment areas. The promotion of community services and economic development make up 84.1 percent and 14 percent of the activity, respectively. Affordable housing activity accounts for 1.9 percent of the activity. In particular, the bank provided a \$1.5 million letter of credit to a supermarket in a large redevelopment project in Jersey City.

For information concerning community development lending refer to Exhibit 4.7.

INVESTMENT TEST

Qualified investments totaled \$1.3 million or 6.4 percent of the total investment activity in the assessment areas. Affordable housing activity made up 99.6 percent of the investments. Investment in a low-income housing tax credit project (creating 48 units of affordable rental housing) accounted for most of the activity in this MSA. Also, several organizations supporting community development received \$13 thousand in grants.

For details concerning investments refer to Exhibit 6.7.

SERVICE TEST**Accessibility of Delivery Systems**

The delivery systems for providing retail banking services are accessible to essentially all portions of this MSA. The distribution of 16 branches represents 5 percent of the bank's total number of branches in the assessment areas. Three (or 19 percent) of the branches in this MSA are located in LMI census tracts. The branch network in LMI tracts reflects the population that resides in these tracts. The population residing in the LMI census tracts accounts for 20 percent of the total MSA population. In addition, 20 percent of the census tracts are LMI.

For details concerning the number of branch offices refer to Exhibit 7.0.

Changes in Branch Locations

Opening and closing of branches have not adversely affected the accessibility of its delivery systems. No branches closed and three branches opened in this MSA. One new branch in an LMI census tract was opened in Jersey City, and the other two opened in non-LMI tracts.

Community Development Services

Community development services are available in, but not limited to, this MSA. See page BB21 for additional information on community development services provided by the bank in the assessment areas.

METROPOLITAN STATISTICAL AREA ANALYSIS

MSA 8480 (TRENTON, NJ)

Overall performance in MSA 8480 is adequate. The overall distribution of loans across census tracts of different income levels in the Trenton MSA is weak. The overall distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes. The delivery system for providing retail banking services is reasonably accessible to essentially all portions of this MSA. Opening and closing of branches have not adversely affected the accessibility of its delivery systems.

PERFORMANCE CONTEXT

Based on the 1990 U.S. Census data, the population in MSA 8480 is 326 thousand, representing 4.5 percent of the population in the assessment areas. The MSA includes only Mercer County and has 61 census tracts. Nineteen of those census tracts, or 31 percent, are classified as LMI. Trenton is the largest city in the county with a total population of 84,441, or 27 percent of the county's population.

Income Characteristics

The 1990 Census puts median family income for the MSA at \$48,490 while the 1996 HUD estimated median family income is \$58,500. Approximately 37 percent of the families are considered LMI. The city of Trenton has the lowest income in Mercer County, and the 1990 median family income for the city is only \$30,733, one of the lowest in the state. Forty-one percent of Trenton's population is considered low-income. In 1990, approximately 18 percent of Trenton's residents fell below the federal poverty line compared with 7 percent in Mercer County and only 3 percent in the suburban part of the county.

Housing Characteristics

This MSA's 77,818 owner-occupied housing units represent 4.6 percent of all owner-occupied housing units in the assessment areas. The 1996 median housing value is \$136,689 while the 1996 median family income is \$58,500. Housing affordability and rehabilitation of existing housing are concerns of LMI individuals in the county.

Labor, Employment, and Economic Characteristics

There are 12,680 business establishments in this MSA representing 4.5 percent of all business establishments in the assessment areas. In September, 1997, the unemployment rate was 4.8 percent for Mercer County and 11.8 percent in the city of Trenton. Because of Trenton's high rate of unemployment and economic development needs, the N.J. Department of Commerce designated the city an Urban Enterprise Zone.

Mercer County's employment is concentrated in service industries, and the county has become a center for research and development firms. The closing of large companies such as HillPhoenix and Carter Wallace illustrates the decline of manufacturing jobs in Mercer County. In addition, Mobil Oil and

Lockheed Martin have also downsized in the last few years.

The major employers are the state, county, and city governments, the Trenton School Board, and Mercer Medical Center. Retail trade is expected to continue to grow in the county. One of the largest economic developments in Mercer County is Nassau Park, a 650,000-square-foot retail center in West Windsor.

Details concerning family income data are listed in Exhibit 9.0. For information concerning demographics refer to Exhibit 8.7.

LENDING TEST

Geographic Distribution of Lending

The overall distribution of loans across census tracts of different income levels in MSA 8480 (Trenton) needs to improve. In particular, the geographic distribution of home purchase loans needs to improve while the distribution of home improvement loans is excellent. The distribution of small business and refinance loans is adequate.

For details concerning demanded-adjusted penetration of home purchase, home improvement, refinance, and small business loans, refer to Exhibits 2.1 through 2.4.

Home Purchase Loans

Overall home purchase activity in LMI census tracts needs to improve. Demand-adjusted penetration in LMI census tracts was significantly less than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 2.1 times greater than in non-LMI census tracts.

Home Improvement Loans

Home improvement activity in LMI census tracts is outstanding overall. Demand-adjusted penetration in LMI census tracts was greater than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 1.7 times greater in LMI census tracts than non-LMI census tracts.

Refinance Loans

Overall refinance activity in LMI census tracts is adequate. Demand-adjusted penetration in LMI census tracts was less than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was four times greater in non-LMI census tracts. This activity is considered adequate in relation to the performance context identified through community contacts and including peer group information and demographic data.

The performance context revealed that the ability to make refinance loans in LMI census tracts in relatively the same quantity as non-LMI census tracts is limited by the following: (1) many LMI borrowers obtained loans with greater than an 80 percent LTV ratio which is higher than most banks' refinancing requirements; (2) housing values have not appreciated in many LMI census tracts at the same level as non-LMI census tracts; and (3) closing costs needed to complete these transactions are more unaffordable to LMI individuals.

A 1996 peer analysis noted low refinance lending volumes in LMI census tracts for most lenders in the MSA. In addition, Summit ranked second in Mercer County for the total number of refinance originations and for the number of refinance loans originated in LMI census tracts.

Small Business Loans

The overall geographic distribution of small business loans is adequate. Demand-adjusted penetration in

LMI census tracts was less than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 1.9 times greater in non-LMI census tracts. Conclusions regarding Summit's overall small business distribution are enhanced when compared with 1996 bank peer group performance. Summit was ranked first among small business lenders in Mercer County and third among small business lenders in LMI census tracts.

Borrower Characteristics

The overall distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes. Lending to moderate-income borrowers is excellent and lending to low-income borrowers is adequate. Good distribution is noted on lending to businesses of different sizes.

For details concerning distribution of lending across borrower income levels refer to Exhibits 3.0 to 3.2.

HMDA-related Loans

The distribution of loans across borrower income levels is excellent for moderate-income borrowers and good for low-income borrowers. In the MSA, 18 percent of the families are of moderate income while 19 percent of home purchase, 16 percent of refinance, and 17 percent of home improvement loans were made to moderate-income borrowers. In the MSA, 19 percent of the families are of low income while 14 percent of home purchase, and only 6 percent of refinance, were made to low-income borrowers. In contrast, 29 percent of home improvement loans were made to low-income borrowers.

The weak performance in refinance originations to low-income borrowers, however, is considered adequate in relation to the performance context identified through community contacts and including peer group performance and demographic data. The performance context revealed the difficulties in making refinance loans to low-income borrowers in volumes that reflect the percentage of low-income families in the MSA. These factors are: (1) affordability of housing in this MSA is low as noted by housing values in relation to the incomes of low-income borrowers; (2) real estate taxes in New Jersey are the highest in the nation further reducing affordability; (3) refinance loans are difficult to make to low-income borrowers because of high closing costs and generally higher LTV ratios.

The performance of similarly situated lenders in lending to low-income borrowers supports the conclusion that all lenders have a difficult time making refinance loans to low-income borrowers.

Small Business Loans

The distribution of loans to businesses of different sizes in the MSA is good. Of the 463 small business loans originated, 271 or 59 percent were for loan amounts less than or equal to \$100 thousand. The average size of the loans in this category was approximately \$41 thousand indicating that the bank is responsive to the credit needs of very small businesses.

Approximately 66 percent of Summit's small business loans were made to businesses with reportable gross annual revenues of \$1 million or less or to businesses where the revenue information was not collected. This percentage compares favorably with the approximately 84 percent of business establishments in this MSA that have gross annual revenues of \$1 million or less.

Community Development Lending

Community development lending in the Trenton MSA totaled \$7 million or 8.5 percent of community development lending activity in the assessment areas. Most of the activity was concentrated in economic development, representing 89.7 percent of the activity. Lending for community services accounted for 6.6 percent of the activity while lending to support affordable housing was 3.7 percent of the activity in this MSA.

For information concerning community development lending refer to Exhibit 4.8.

INVESTMENT TEST

Qualified investments totaled \$2 million or 9.4 percent of the total investment activity in the assessment areas. Affordable housing was targeted with 98.8 percent of the investments in a low-income housing tax credit project for 40 units of affordable housing for seniors. The remaining investments were grants made to organizations primarily to support affordable housing and economic development.

For details concerning investments refer to Exhibit 6.8.

SERVICE TEST**Accessibility of Delivery Systems**

The delivery system for retail banking services is reasonably accessible to essentially all portions of this MSA. There are 17 branches, representing 5 percent of the bank's total number of branches in the assessment areas. Two (or 12 percent) of the branches in this MSA are located in LMI census tracts. The branch network in LMI tracts does not adequately reflect the population residing in these tracts, which accounts for 23 percent of the total MSA population. In addition, 31 percent of all census tracts in this MSA are LMI.

For details concerning the number of branch offices refer to Exhibit 7.0.

Changes in Branch Locations

Opening and closing of branches have not adversely affected the accessibility of its delivery systems. Three Summit branches were closed in non-LMI census tracts, and no new branches opened.

Community Development Services

Community development services are available in, but not limited to, this MSA. See page BB21 for additional information on community development services provided by the bank in the assessment areas.

METROPOLITAN STATISTICAL AREA ANALYSIS

MSA 8760 (VINELAND-MILLVILLE-BRIDGETON, NJ)

Overall performance in MSA 8760 is adequate. The overall distribution of loans across census tracts of different income levels is adequate. The overall distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes. The delivery system for providing retail banking services is reasonably accessible to essentially all portions of this MSA. Opening and closing of branches have not adversely affected the accessibility of its delivery systems.

PERFORMANCE CONTEXT

According to 1990 U.S. Census data, the population in MSA 8760 is 138 thousand or 2 percent of the assessment areas' total population. The MSA includes Cumberland County in southern New Jersey. The county's three major cities of Vineland, Millville, and Bridgeton represent nearly three-quarters of the county's population. This MSA has 29 census tracts of which seven, or 24.1 percent, are classified as LMI.

Income Characteristics

The 1990 census median family income for the MSA is \$34,572 while the 1996 HUD estimated median family income is \$41,500. LMI families account for 38.4 percent of the MSA's total number of families. Cumberland County has consistently recorded low personal and per capita incomes, and it ranked last among New Jersey's 21 counties in median family income.

Housing Characteristics

This MSA's 32,299 owner-occupied housing units represent only 1.9 percent of all owner-occupied housing units in the assessment areas. The 1990 median housing value is \$73,639 while the 1990 median family income is \$34,572. The housing market is one of the most affordable in the state compared with other New Jersey counties.

Labor, Employment, and Economic Characteristics

The 4,942 business establishments in this MSA represent only 1.7 percent of all business establishments in the assessment areas. Twenty-three percent of these businesses are located in LMI census tracts. Cumberland's service sector was the largest provider of new jobs between 1990 and 1995. In comparison, employment in the county's manufacturing sector has declined over the last decade.

Cumberland County remains the state's center for the wholesaling of fruits and vegetables. Vineland, Millville, and Bridgeton have been centers of industrial development, particularly the manufacturing of glass, food products, and textiles.

During 1997, Cumberland County's annual average unemployment rate was the second highest among all New Jersey counties. As of September 1997, the unemployment rate in Cumberland County was 7.4 percent and the county has been designated a Labor Surplus Area. Two Urban Enterprise Zones have

been established in Bridgeton and Vineland/Millville by the N. J. Department of Commerce in order create economic development in these cities.

Details concerning family income data are listed in Exhibit 9.0. For information concerning demographics refer to Exhibit 8.8.

LENDING TEST

Geographic Distribution of Lending

The overall distribution of loans across census tracts of different income levels in MSA 8760 is adequate. In particular, the geographic distribution of home purchase activity is weak. Home improvement and small business lending activity is excellent while refinance activity is adequate.

For details concerning demanded-adjusted penetration of home purchase, home improvement, refinance, and small business loans, refer to Exhibits 2.1 through 2.4.

Home Purchase Loans

Overall home purchase activity in LMI census tracts needs to improve. Demand-adjusted penetration in LMI census tracts was less than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 1.8 times greater in non-LMI census tracts. In addition, the overall volume of home purchase loans was low compared with other financial institutions lending in this MSA.

Home Improvement Loans

Overall home improvement activity in LMI census tracts is outstanding. Loan activity on a demand-adjusted basis was almost equal for originations in LMI census tracts and non-LMI census tracts.

Refinance Loans

Refinance activity in LMI census tracts is adequate overall. Demand-adjusted penetration in LMI census tracts was less than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 2.7 times greater in non-LMI census tracts. This activity is considered adequate in relation to the performance context identified through community contacts and including peer group information and demographic data.

The performance context issues revealed that the ability to make refinance loans in LMI census tracts in relatively the same quantity as non-LMI census tracts is limited by the following: (1) many LMI borrowers obtained loans with greater than an 80 percent LTV ratio which is higher than most banks' refinancing requirements; (2) housing values have not appreciated in many LMI census tracts at the same level as non-LMI census tracts; and (3) closing costs needed to complete these transactions are more unaffordable to LMI individuals.

A 1996 peer analysis noted that Summit ranked first for the total number of refinance loans and second for the number of refinance loans originated in LMI census tracts in the MSA.

Small Business Loans

Overall geographic distribution of small business loans is excellent. Demand-adjusted penetration in LMI

census tracts was greater than non-LMI income census tracts.

Borrower Characteristics

The overall distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes. Lending to moderate-income borrowers is excellent and lending to low-income borrowers is adequate. Good distribution is noted on lending to businesses of different sizes.

For details concerning distribution of lending across borrower income levels refer to Exhibits 3.0 to 3.2.

HMDA-related Loans

The distribution of loans across applicant income level is excellent for moderate-income borrowers and adequate for low-income borrowers overall. In the MSA, 17 percent of the families are of moderate income while 42 percent of home purchase loans, 16 percent of refinance loans, and 18 percent of the home improvement loans were made to moderate-income borrowers. In the MSA, 21 percent of the families are of low income while only 3 percent of home purchase, 6 percent of refinance and 12 percent of home improvement loans were made to low-income borrowers.

However, the weak performance in home purchase and especially refinance originations to low-income borrowers is considered adequate in relation to the performance context which underscores the difficulties in making home purchase and refinance loans to low-income borrowers in volumes that reflect the percentage of low-income families in the MSA. These factors are: (1) real estate taxes in New Jersey are the highest in the nation further reducing affordability; and (2) refinance loans are difficult to make to low-income borrowers because of high closing costs and generally higher LTV ratios.

The performance of similarly situated lenders in lending to low-income borrowers supports the conclusion that all lenders have a difficult time making purchase mortgage and refinance loans to low-income borrowers.

Small Business Loans

The overall distribution of loans to businesses of different sizes is good. Of the 148 small business loans originated, 121 or 82 percent were for loan amounts less than or equal to \$100 thousand. The average size of the originations in this category was approximately \$36 thousand indicating the bank's responsiveness to the credit needs of very small businesses in this MSA.

Approximately 73 percent of the small business loans were originated to businesses reporting gross annual revenues of \$1 million or less or to businesses where the revenue information was not collected. This percentage compares favorably with the approximately 84 percent of business establishments in this MSA that have gross annual revenues of \$1 million or less.

Community Development Lending

Community development lending in the MSA totaled \$1.5 million or 1.9 percent of community development lending activity in the assessment areas. Ninety-five percent of this lending went to support community services. The remaining 5 percent supported the creation of five affordable housing units.

For information concerning community development lending refer to Exhibit 4.9.

INVESTMENT TEST

Qualified investments totaled \$25 thousand or less than 1 percent of the investment activity in the assessment areas. Seventy-six percent of this activity was concentrated in economic development. Investments for affordable housing and community services made up 20 percent and 4 percent of the activity, respectively. All investments were in the form of grants made to organizations.

For details concerning investments refer to Exhibit 6.9.

SERVICE TEST**Accessibility of Delivery Systems**

The delivery system for providing retail banking services is reasonably accessible to essentially all portions of this MSA. The nine branches in the MSA represent 3 percent of the total number of branches in the assessment areas. The one branch located in an LMI census tract represents 11 percent of the total branches in this MSA. The branch network in LMI tracts adequately reflects the population that resides in these tracts. The population residing in the LMI census tracts accounts for 17 percent of the total MSA population. Twenty-four percent of the census tracts in this MSA are LMI.

For details concerning the number of branch offices refer to Exhibit 7.0.

Changes in Branch Locations

There were no branch openings or closings in this MSA.

Community Development Services

Community development services are available in, but not limited to, this MSA. See page BB21 for additional information on community development services provided by the bank in the assessment areas.

METROPOLITAN STATISTICAL AREA ANALYSIS

MSA 0560 (ATLANTIC-CAPE MAY, NJ)

Overall performance in MSA 0560 is weak. The overall distribution of loans across census tracts of different income levels is weak. The overall distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes. The delivery system for providing retail banking services is limited because of the small portion of the MSA within the bank's assessment area. Opening and closing of branches in this MSA have not adversely affected the accessibility of its delivery systems.

PERFORMANCE CONTEXT

Summit's assessment area in this MSA located in the southern part of New Jersey includes the townships of Buena, Buena Vista, Folsom, Hamilton, Hammonton, and Mullica located in northwestern Atlantic County. The assessment area does not include any portion of Cape May County.

The 1990 U.S. Census places Atlantic County's population at 224,327, of which only 48,393 reside within the bank's assessment area. This population represents less than 1 percent of the total assessment areas' population and is the least populated geography in the assessment areas. Of the MSA's 11 census tracts one is moderate-income and ten are middle-income.

Income Characteristics

The 1990 U.S. Census median family income for the MSA is \$40,218 while the 1996 HUD estimated median family income is \$44,400. These median family income levels are significantly lower than state levels.

Housing Characteristics

The 12,849 owner-occupied housing units in Atlantic County represent less than 1 percent of all owner-occupied housing units in the assessment areas. Ninety-one percent of these owner-occupied housing units are in middle-income census tracts. Of the total, about 89 percent were year-round residences with the remainder being seasonal units. Single-family homes accounted for most of the year-round housing stock.

The 1990 median housing value is \$91,466 while the 1990 median family income is \$40,218. Although the housing market is generally one of the most affordable in New Jersey, affordable housing remains a need for LMI individuals.

Labor, Employment, and Economic Characteristics

The MSA's 1,955 business establishments represent less than 1 percent of all business establishments in

the assessment areas. Seven percent of these businesses are located in the moderate-income census tracts. In September 1997, the unemployment rate in Atlantic County was 6.8 percent. Unemployment in this county has been higher than levels in other counties and the state overall.

Details concerning family income data are listed in Exhibit 9.0. For information concerning demographics refer to Exhibit 8.9.

LENDING TEST

Geographic Distribution of Lending

The overall distribution of loans across census tracts of different income levels in MSA 0560 (Atlantic-Cape May) is weak. The geographic distribution of home purchase, home improvement loans, and small business needs to improve. Loan volume was very low. Refinance activity is adequate.

For details concerning demanded-adjusted penetration of home purchase, home improvement, refinance, and small business loans, refer to Exhibits 2.1 through 2.4.

Home Purchase Loans

The volume of home purchase activity was very low overall. Only four home purchase loans were originated and none were originated in the moderate-income census tract.

Home Improvement Loans

Overall home improvement activity in the moderate-income census tract needs to improve. Demand-adjusted penetration in the moderate-income census tract was less than penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 2.1 times greater in non-LMI census tracts.

Refinance Loans

The overall refinance activity in the moderate-income census tract is adequate. Demand-adjusted penetration in the moderate-income census tract was less than the penetration in non-LMI census tracts. Loan activity on a demand-adjusted basis was 1.4 times greater for originations in non-LMI census tracts. The volume of refinance loans made in the moderate-income census tract was low for the bank and all lenders in the peer group. In a 1996 peer analysis, Summit ranked second for the total number of refinance loan originations and for the number originated in the moderate-income census tract.

Small Business Loans

Overall the volume of small business activity was very low. Only 22 loans were originated and none were originated in the moderate-income census tract. However, lending opportunities in the one moderate-income census tract are very limited.

Borrower Characteristics

The distribution of loans overall reflects good penetration among borrowers of different income levels and business customers of different sizes. Lending to moderate-income borrowers is excellent and lending

to low-income borrowers is weak. Good distribution is noted on lending to businesses of different sizes.

For details concerning distribution of lending across borrower income levels refer to Exhibits 3.0 to 3.2.

HMDA-related Loans

The overall distribution of loans across borrower income levels is excellent for moderate-income borrowers and weak for low-income borrowers. In the MSA, 19 percent of the families are moderate-income while 50 percent of home purchase, 15 percent of refinance, and 22 percent of home improvement loans were made to moderate-income borrowers. In the MSA, 16 percent of the families are low-income while no home purchase, 8 percent of refinance, and 4 percent of home improvement loans were made to low-income borrowers.

Small Business Loans

The distribution of loans to businesses of different sizes in this MSA is good. Of the 22 small business loans originated, 14 or 64 percent were for loan amounts less than or equal to \$100 thousand. The average size of the originations in this category was approximately \$26 thousand indicating that the bank is responsive to the credit needs of the very small businesses.

Approximately 64 percent of the small business loans in the MSA were made to businesses with reportable gross annual revenues of \$1 million or less or to businesses where the revenue information was not collected. This percentage compares favorably with the approximately 84 percent of business establishments in this MSA that have gross annual revenues of \$1 million or less.

Community Development Lending

Community development lending in the Atlantic-Cape May MSA totaled \$25 thousand or less than 1 percent of the community development lending activity in the assessment areas. One loan was made to support community services.

For information concerning community development lending refer to Exhibit 4.10.

INVESTMENT TEST

Qualified investments totaled \$2,000 or less than 1 percent of the total investment activity in the assessment areas. All investments were grants to support a community service provider in the Atlantic-Cape May MSA.

For details concerning investments refer to Exhibit 6.10.

SERVICE TEST**Accessibility of Delivery Systems**

The delivery system for providing retail banking services is limited with one branch located in Atlantic County (in Hammonton on the border of Camden County).

Changes in Branch Locations

There were no branch openings or closings in this MSA.

Community Development Services

Community development services are available in, but not limited to, this MSA. See page BB21 for additional information on community development services provided by the bank in the assessment areas.

EXHIBIT 1.0**Summary of Lending Activity in Assessment Areas****(April 1, 1996 - September 30, 1997)**

Loan Purpose	Number of Loans	% of Total	Dollar Amt of Loans (000s)	% of Total	% Loans in Assessment Areas
Home Purchase	5,393	19.7%	\$868,717	28.2%	91.0%
Refinance	7,316	26.7	702,542	22.8	88.5
Home Improvement	5,653	20.6	104,811	3.4	93.7
Multifamily	35	0.1	85,660	2.8	74.3
Small Business	9,018	32.9	1,321,298	42.9	93.9
Totals	27,415	100.0%	\$3,083,028	100.0	90.4%

Insert

EXHIBIT 2.1

2a:sundemnd.wk4 / home purchase

Insert

EXHIBIT 2.2

2a:sundemnd.wk4 / refis

Insert

EXHIBIT 2.3

2a:sundemnd.wk4 / home improve

Insert

EXHIBIT 2.4

5a:s-demnd.wk4 / all bus

Insert

EXHIBIT 3.0

2a:sumappin.wk4 / home purchase

Insert

EXHIBIT 3.1

2a:sumappin.wk4 / refis

Insert

EXHIBIT 3.2

2a:sumappin.wk4 / home improve

Insert

EXHIBIT 4.0

3a:rptcd.wk4 /B

Insert

EXHIBIT 4.1

3a:rptcd.wk4 /A

Insert

EXHIBIT 4.2

3a:rptcd.wk4 /A

Insert

EXHIBIT 4.3, 4.4

3a:rptcd.wk4 /A

Insert

EXHIBIT 4.5,4.6

3a:rptcd.wk4 /A

Insert

EXHIBIT 4.7,4.8

3a:rptcd.wk4 /A

Insert

EXHIBIT 4.9,4.10

3a:rptcd.wk4 /A

EXHIBIT 5.0

Summary of Innovative or Flexible Lending Activity

Innovative or Flexible Loan Programs April 1, 1996 - September 30, 1997			
<u>Loan Program</u>	<u>Product Type</u>	<u>Originations</u>	
		#	\$(000's)
Partners in Pride	Mortgage	902	86,597
FreddieMac AffordableGold	Mortgage	36	4,391
NJHMFA Home Buyers	Mortgage	34	3,415
FannieMae Home Buyers	Mortgage	6	508
Signature Loan	Home Improvement	1,650	4,872
FHA Title One	Home Improvement	145	2,651
Secured Home Improvement	Home Improvement	30	423
Flexible Small Business	Small Business	26*	948
Totals		2,829	103,805

*The number of loans originated under this program prior March 28, 1997 was not tracked by management.

Insert

EXHIBIT 6.0

4a:invrpt.wk4 /b

Insert

EXHIBIT 6.1

4a:invrpt.wk4 /a (6.1)

Insert

EXHIBIT 6.2

4a:invrpt.wk4 /a (6.2)

Insert

EXHIBIT 6.3,6.4

4a:invrpt.wk4 /a (6.3)

Insert

EXHIBIT 6.5,6.6

4a:invrpt.wk4 /a (6 - 5.6)

Insert

EXHIBIT 6.7,6.8

4a:invrpt.wk4 /a (6.7-6.8)

Insert

EXHIBIT 6.9,6.10

4a:invrpt.wk4 /a (6.9-6.10)

Insert

EXHIBIT 7.0

1a:Branroe.wk4

EXHIBIT 7.1**Summary of Branch Changes**

Beginning Number of Branches (4/1/96)	241
Branches Opened	23
Branches Acquired	98
Branches Closed	(45)
Net Change	76
Ending Number of Branches (9/30/97)	317

EXHIBIT 8.0

New Jersey Assessment Area Summary of Census Tract Demographics					
	Census Tracts by Income Level				Total
	Low	Moderate	Middle	Upper	
Census Tracts Used for Analysis*	127	313	847	438	1,725
% of Tracts Used for Analysis	7.4%	18.1%	49.1%	25.4%	100%
Total Population	362,471	1,277,055	3,618,639	2,005,880	7,264,045
% of Total Population	5.0%	17.6%	49.8%	27.6%	100%
Number of Families	78,813	318,360	966,447	550,578	1,914,198
% of Families	4.1%	16.6%	50.5%	28.8%	100%
Owner-occupied Housing Units	24,756	208,836	889,579	567,327	1,690,498
% of Owner-occupied Units	1.5%	12.4%	52.6%	33.6%	100%
Renter-occupied Housing Units	91,036	262,981	454,479	122,844	931,340
% of Renter-occupied Units	9.8%	28.2%	48.8%	13.2%	100%
Total Business Establishments	14,720	38,854	142,787	87,960	284,321
% of Business Establishments	5.2%	13.7%	50.2%	30.9%	100%

*Census tracts with no housing or population were not used in the analysis. In the New Jersey assessment area, 72 such tracts were considered low-income. The number of moderate-, middle-, and upper-income census tracts was not affected.

EXHIBIT 8.1

MSA 5640 (NEWARK, NJ) Summary of Census Tract Demographics					
	Census Tracts by Income Level				Total
	Low	Moderate	Middle	Upper	
Census Tracts Used for Analysis*	64	108	161	121	454
% of Tracts Used for Analysis	14.1%	23.8%	35.5%	26.7%	100%
Total Population	167,595	409,253	697,878	585,740	1,860,466
% of Total Population	9.0%	22.0%	37.5%	31.5%	100%
Number of Families	37,046	99,638	185,461	162,767	484,912
% of Families	7.6%	20.5%	38.2%	33.6%	100%
Owner-occupied Housing Units	8,102	47,666	167,139	170,646	393,553
% of Owner-occupied Units	2.1%	12.1%	42.5%	43.4%	100%
Renter-occupied Housing Units	48,524	97,485	94,457	33,667	274,133
% of Renter-occupied Units	17.7%	35.6%	34.5%	12.3%	100%
Total Business Establishments	6,829	11,109	31,782	27,889	77,609
% of Business Establishments	8.8%	14.3%	41.0%	35.9%	100%

*Census tracts with no housing or population were not used in the analysis. In MSA 5640 (Newark), 13 such tracts were considered low-income. The number of moderate-, middle-, and upper-income census tracts was not affected.

EXHIBIT 8.2

MSA 0875 (BERGEN-PASSAIC, NJ) Summary of Census Tract Demographics					
	Census Tracts by Income Level				Total
	Low	Moderate	Middle	Upper	
Census Tracts Used for Analysis*	22	46	121	67	256
% of Tracts Used for Analysis	8.6%	18.0%	47.3%	26.2%	100%
Total Population	53,962	239,459	612,415	317,310	1,223,146
% of Total Population	4.4%	19.6%	50.1%	25.9%	100%
Number of Families	11,759	59,335	167,350	89,715	328,159
% of Families	3.6%	18.1%	51.0%	27.3%	100%
Owner-occupied Housing Units	2,343	32,642	152,064	93,790	280,839
% of Owner-occupied Units	0.8%	11.6%	54.1%	33.4%	100%
Renter-occupied Housing Units	13,852	52,549	84,769	13,921	165,091
% of Renter-occupied Units	8.4%	31.8%	51.3%	8.4%	100%
Total Business Establishments	2,231	8,898	27,624	14,463	53,216
% of Business Establishments	4.2%	16.7%	51.9%	27.2%	100%

*Census tracts with no housing or population were not used in the analysis. In MSA 0875 (Bergen-Passaic), 36 such tracts were considered low-income. The number of moderate-, middle-, and upper-income census tracts was not affected.

EXHIBIT 8.3

MSA 5015 (MIDDLESEX-SOMERSET-HUNTERDON, NJ)					
Summary of Census Tract Demographics					
	Census Tracts by Income Level				Total
	Low	Moderate	Middle	Upper	
Census Tracts Used for Analysis*	5	39	155	54	253
% of Tracts Used for Analysis	2.0%	15.4%	61.3%	21.3%	100%
Total Population	19,084	144,103	627,403	229,245	1,019,835
% of Total Population	1.9%	14.1%	61.5%	22.5%	100%
Number of Families	3,318	35,898	169,788	63,938	272,942
% of Families	1.2%	13.2%	62.2%	23.4%	100%
Owner-occupied Housing Units	1,412	23,866	164,945	68,014	258,237
% of Owner-occupied Units	0.5%	9.2%	63.9%	26.3%	100%
Renter-occupied Housing Units	3,795	29,497	62,661	10,895	106,848
% of Renter-occupied Units	3.6%	27.6%	58.6%	10.2%	100%
Total Business Establishments	1,230	4,392	24,726	9,512	39,860
% of Business Establishments	3.1%	11.0%	62.0%	23.9%	100%

*Census tracts with no housing or population were not used in the analysis. In MSA 5015 (Middlesex-Somerset-Hunterdon), five such tracts were considered low-income. The number of moderate-, middle-, and upper-income census tracts was not affected.

EXHIBIT 8.4

MSA 6160 (PHILADELPHIA, PA-NJ) Summary of Census Tract Demographics					
	Census Tracts by Income Level				Total
	Low	Moderate	Middle	Upper	
Census Tracts Used for Analysis*	16	27	157	78	278
% of Tracts Used for Analysis	5.8%	9.7%	56.5%	28.1%	100%
Total Population	60,774	100,735	603,736	343,657	1,108,902
% of Total Population	5.5%	9.1%	54.4%	31.0%	100%
Number of Families	13,690	23,373	160,763	93,203	291,029
% of Families	4.7%	8.0%	55.2%	32.0%	100%
Owner-occupied Housing Units	7,167	17,834	160,622	98,454	284,077
% of Owner-occupied Units	2.5%	6.3%	56.5%	34.7%	100%
Renter-occupied Housing Units	10,937	15,357	59,778	17,628	103,700
% of Renter-occupied Units	10.5%	14.8%	57.6%	17.0%	100%
Total Business Establishments	1,985	2,512	20,281	14,685	39,463
% of Business Establishments	5.0%	6.4%	51.4%	37.2%	100%

*Census tracts with no housing or population were not used in the analysis. In MSA 6160 (Philadelphia), four such tracts were considered low-income. The number of moderate-, middle-, and upper-income census tracts was not affected.

EXHIBIT 8.5

MSA 5190 (MONMOUTH-OCEAN, NJ) Summary of Census Tract Demographics					
	Census Tracts by Income Level				Total
	Low	Moderate	Middle	Upper	
Census Tracts Used for Analysis*	9	45	104	69	227
% of Tracts Used for Analysis	4.0%	19.8%	45.8%	30.4%	100%
Total Population	22,660	209,024	463,241	291,402	986,327
% of Total Population	2.3%	21.2%	47.0%	29.5%	100%
Number of Families	4,994	57,738	125,797	79,800	268,329
% of Families	1.9%	21.5%	46.9%	29.7%	100%
Owner-occupied Housing Units	2,881	65,213	130,681	84,214	282,989
% of Owner-occupied Units	1.0%	23.0%	46.2%	29.8%	100%
Renter-occupied Housing Units	5,142	26,752	38,697	12,137	82,728
% of Renter-occupied Units	6.2%	32.3%	46.8%	14.7%	100%
Total Business Establishments	823	5,948	18,087	12,142	37,000
% of Business Establishments	2.2%	16.1%	48.9%	32.8%	100%

*Census tracts with no housing or population were not used in the analysis. In MSA 5190 (Monmouth-Ocean), seven such tracts were considered low-income. The number of moderate-, middle-, and upper-income census tracts was not affected.

EXHIBIT 8.6

MSA 3640 (JERSEY CITY, NJ)					
Summary of Census Tract Demographics					
	Census Tracts by Income Level				Total
	Low	Moderate	Middle	Upper	
Census Tracts Used for Analysis*	3	29	94	30	156
% of Tracts Used for Analysis	1.9%	18.6%	60.3%	19.2%	100%
Total Population	13,256	94,550	336,112	109,181	553,099
% of Total Population	2.4%	17.1%	60.8%	19.7%	100%
Number of Families	2,975	23,166	83,148	28,357	137,646
% of Families	2.2%	16.8%	60.4%	20.6%	100%
Owner-occupied Housing Units	404	7,066	40,426	19,941	67,837
% of Owner-occupied Units	0.6%	10.4%	59.6%	29.4%	100%
Renter-occupied Housing Units	3,913	27,590	85,210	24,189	140,902
% of Renter-occupied Units	2.8%	19.6%	60.5%	17.2%	100%
Total Business Establishments	355	3,596	9,849	3,796	17,596
% of Business Establishments	2.0%	20.4%	56.0%	21.6%	100%

*Census tracts with no housing or population were not used in the analysis. In MSA 3640 (Hudson), five such tracts were considered low-income. The number of moderate-, middle-, and upper-income census tracts was not affected.

EXHIBIT 8.7

MSA 8480 (TRENTON, NJ)					
Summary of Census Tract Demographics					
	Census Tracts by Income Level				Total
	Low	Moderate	Middle	Upper	
Census Tracts Used for Analysis*	7	12	27	15	61
% of Tracts Used for Analysis	11.5%	19.7%	44.3%	24.6%	100%
Total Population	24,588	51,717	143,017	106,502	325,824
% of Total Population	7.5%	15.9%	43.9%	32.7%	100%
Number of Families	4,892	12,384	39,022	26,811	83,109
% of Families	5.9%	14.9%	47.0%	32.3%	100%
Owner-occupied Housing Units	2,425	10,032	38,905	26,456	77,818
% of Owner-occupied Units	3.1%	12.9%	50.0%	34.0%	100%
Renter-occupied Housing Units	4,702	8,809	17,212	8,400	39,123
% of Renter-occupied Units	12.0%	22.5%	44.0%	21.5%	100%
Total Business Establishments	982	1,396	5,831	4,471	12,680
% of Business Establishments	7.7%	11.0%	46.0%	35.3%	100%

*Census tracts with no housing or population were not used in the analysis. In MSA 8480 (Trenton), two such tracts were considered low-income. The number of moderate-, middle-, and upper-income census tracts was not affected.

EXHIBIT 8.8

MSA 8760 (VINELAND-MILLVILLE-BRIDGETON, NJ)					
Summary of Census Tract Demographics					
	Census Tracts by Income Level				Total
	Low	Moderate	Middle	Upper	
Census Tracts Used for Analysis*	1	6	18	4	29
% of Tracts Used for Analysis	3.4%	20.7%	62.1%	13.8%	100%
Total Population	552	23,773	90,885	22,843	138,053
% of Total Population	0.4%	17.2%	65.8%	16.5%	100%
Number of Families	139	5,670	23,587	5,987	35,383
% of Families	0.4%	16.0%	66.7%	16.9%	100%
Owner-occupied Housing Units	22	3,384	23,081	5,812	32,299
% of Owner-occupied Units	0.1%	10.5%	71.5%	18.0%	100%
Rental Occupied Housing Units	171	4,439	8,202	2,007	14,819
% of Rental Occupied Units	1.2%	30.0%	55.3%	13.5%	100%
Total Business Establishments	285	863	2,792	1,002	4,942
% of Business Establishments	5.8%	17.5%	56.5%	20.3%	100%

*Census tracts with no housing or population were not used in the analysis. MSA 8760 (Vineland-Millville-Bridgeton) had no such tracts that were considered low-income. The number of moderate-, middle-, and upper-income census tracts was not affected.

EXHIBIT 8.9

MSA 0560 (ATLANTIC-CAPE MAY, NJ)					
Summary of Census Tract Demographics					
	Census Tracts by Income Level				Total
	Low	Moderate	Middle	Upper	
Census Tracts Used for Analysis*	0	1	10	0	11
% of Tracts Used for Analysis	0.0%	9.1%	90.9%	0.0%	100%
Total Population	0	4,441	43,952	0	48,393
% of Total Population	0.0%	9.2%	90.8%	0.0%	100%
Number of Families	0	1,158	11,531	0	12,689
% of Families	0.0%	9.1%	90.9%	0.0%	100%
Owner-occupied Housing Units	0	1,133	11,716	0	12,849
% of Owner-occupied Units	0.0%	8.8%	91.2%	0.0%	100%
Renter-occupied Housing Units	0	503	3,493	0	3,996
% of Renter-occupied Units	0.0%	12.6%	87.4%	0.0%	100%
Total Business Establishments	0	140	1,815	0	1,955
% of Business Establishments	0.0%	7.2%	92.8%	0.0%	100%

*Census tracts with no housing or population were not used in the analysis. MSA 0560 (Atlantic-Cape May) had no such tracts that were considered low-income. The number of moderate-, middle-, and upper-income census tracts was not affected.

CRA APPENDIX A

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		4/1/96 TO 9/30/97	
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Summit Bank Princeton, NJ			<ul style="list-style-type: none"> • HMDA • Small Business • Community Development Loans
AFFILIATE(S)			PRODUCTS REVIEWED
N/A			
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAM	BRANCHES VISITED	OTHER INFORMATION
New Jersey MSA 5640 (Newark) MSA 0875 (Bergen-Passaic) MSA 5190 (Monmouth-Ocean) MSA 5015 (Middlesex-Somerset-.....) MSA 6160 (Philadelphia PA-NJ) MSA 3640 (Jersey City) MSA 8480 (Trenton) MSA 8760 (Vineland- Millville-Bridgeton) MSA 0560 (Atlantic-Cape May)	On-Site		

CRA APPENDIX B**GLOSSARY**

AREA MEDIAN INCOME: (1) The median family income for the MSA, if a person or geography (block numbering area or census tract) is located in an MSA; or (2), if a person or geography (census tract or block numbering area) is located outside an MSA, the statewide non-metropolitan median family income.

ATM: Automated teller machine.

BNA: Block numbering area.

CDC: A community development corporation, or community development company.

CONSUMER LOANS: Loans made to one or more individuals for household, family, or other personal expenditures. Consumer loans do not include HMDA loans.

DEMAND-ADJUSTED: Proportion of mortgage loans and of applications per thousand owner-occupied housing units in an area, or proportion of small business loans per thousand small business establishments in an area, as applicable.

FANNIE MAE: Formerly the Federal National Mortgage Association

FHA: Federal Housing Administration.

GEOGRAPHY: A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census (1990).

HMDA-RELATED LOANS: Loans reported by the bank under Regulation C, Home Mortgage Disclosure Act. They include home purchase mortgage loans, refinance mortgage loans, and home improvement loans.

HUD: U.S. Department of Housing and Urban Development.

LOAN-TO-VALUE RATIO: Relationship, expressed as a percent, between the principal amount of a loan and the appraised value of the asset securing the financing. In a residential mortgage loan, this is the percentage value of the property the lender is willing to finance with a mortgage (Dictionary of Banking Terms, 2nd Edition, by Thomas Fitch).

LMI: Low- and moderate-income, as in LMI census tracts.

LOW-INCOME: An individual income that is less than 50 percent of the area median income (i.e., of the median family income for the MSA, if the individual is located in an MSA, or, if the individual is located outside an MSA, of the statewide non-metropolitan median family income), or a BNA or census tract median family income that is less than 50 percent of the area median income. Accordingly, a low-income census tract is one in which the median family income is less than 50 percent of the area median income.

MIDDLE-INCOME: An individual income that is at least 80 percent and less than 120 percent of the area median income, or a BNA or census tract median family income that is at least 80 percent and less than 120 percent of the area median income.

MODERATE-INCOME: An individual income that is at least 50 percent and less than 80 percent of the area median income, or a BNA or census tract median family income that is at least 50 percent and less than 80 percent of the area median income.

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

NJHFA: New Jersey Housing Finance Association.

SALLIE MAE: Student Loan Marketing Association

SBA: Small Business Administration

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

SMALL FARM LOANS: A loan for agricultural purposes with an origination amount of \$100 thousand or less; with respect to loans originated subsequent to December 31, 1995, a loan with an origination amount of \$500 thousand or less made to a farm with gross annual revenues of \$1 million or less.

SONYMA: State of New York Mortgage Association.

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

VA: Veterans Administration.

