

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Commerce Bank, National Association prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of May 16, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: "Satisfactory record of meeting community credit needs."

Evaluation Period: The bank's previous Public Disclosure is dated June 9, 1995. The current evaluation reviews the bank's performance from January 1, 1995 through May 16, 1996.

BANK PROFILE

Commerce Bank, National Association (Commerce) was chartered in 1973. It is the primary subsidiary of Commerce Bancorp, Inc., a \$2.5 billion bank holding company that serves parts of southern New Jersey and portions of greater Philadelphia. The bank's headquarters is in Cherry Hill, and its 33 offices serve all of Camden, Burlington, and Gloucester Counties, and parts of Atlantic and Cape May Counties. As of March 31, 1996, the bank had assets of \$1.9 billion, deposits of \$1.7 billion, and net loans of \$744 million. It provides loans primarily to small businesses and consumers. The market is very competitive as major regional banks and several community banks serve it. The following table portrays the principal loan mix of the bank. Most of the mortgage loans consist of commercial real estate lending.

Types of Loans Outstanding March 31, 1996 \$(000's)

Type of Loans	Amount	Percentage
Commercial	\$138,167	18
Installment	192,353	26
Mortgages	422,682	56
Total	\$753,202	100

Residential mortgage lending for the subsidiary banks is consolidated at Commerce, where all mortgage loan applications are processed and booked. Generally management sells these loans in the secondary market, however, those that it does not sell are closed in the names of

the individual banks that generated the applications. Commerce's Home Mortgage Disclosure Act (HMDA) Statement includes the mortgage lending activities of all the corporation's subsidiary banks. For purposes of this evaluation we attribute only the applications initiated by Commerce.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- **Management has established numerous channels to ascertain community credit needs that have resulted in the development of new credit products and participation in lending consortia to promote redevelopment efforts.**

Senior management and staff conducted sufficient outreach to have ascertained the credit needs of the local community. The CRA Officer, Community Development Officer, and First Step Mortgage Officer regularly meet with community leaders and groups to sell bank products and to learn about the needs of local areas. The bank's Municipal Finance Officer (who is a former Mayor of Camden and a former Director of New Jersey's Department of Community Affairs) and a CRA consultant supplement these efforts by providing access to community development organizations and representing the bank in delivering products to the community. In addition, lending officers of the bank have received training to ascertain credit needs as part of their normal business development activities. These efforts are coordinated by and reported back to the CRA Officer.

Throughout the past year staff has met with many organizations and has joined several lending consortia that help small business and/or neighborhood revitalization. Among these are the Cooperative Business Assistance Corp., the Thrift Institution Community Investment Corporation of New Jersey, the Casino Redevelopment Authority, New Jersey CitizenAction, and the North Camden Plan Bank Compact.

The primary credit needs management has identified and responded to are affordable home ownership, affordable rental housing, joint economic development and revitalization efforts, and small business lending. Specific products the bank has developed in response to these needs include:

- First Step Affordable Mortgage Plan Program;
- Helping Hand Home Improvement Loan Program; and,

- participation in numerous lending programs designed to promote local economic development and job creation.

As the banking industry has consolidated in southern New Jersey, Commerce has increased its participation in programs with larger banks and community organizations to revitalize neighborhoods, provide affordable housing for low- and moderate-income (LMI) applicants, construction loans, and loans to small businesses. See Assessment Factors I, J, and H for information concerning specific lending activities for these CRA products.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- **The Board and senior management provide effective direction and proper oversight to the CRA program.**

During this review period, the Board of Directors established a CRA Committee that represents the Board in providing direction to the bank's CRA Compliance Program, and to focus solely on the program's strategic direction. During 1995 the bank refined its CRA plan to strategically address CRA issues. This plan established lending goals for housing and small business. It also established responsibility for the program and shaped the processes for attaining the goals. The Board approved this revised plan in June 1995.

As part of the management process the bank's parent holding company established the CRA Marketing Committee to review overall lending performance, geographic distributions of lending, and the effectiveness of CRA marketing efforts. The committee includes senior lending officers of the affiliated banks.

The CRA Officer is responsible for executing the Strategic Plan and monitoring the attainment of the goals established therein. Also, in 1995, management purchased computer software to enhance the analysis of the bank's lending patterns. The CRA Officer provides quarterly progress reports to the Board. He also supervises the specialized CRA lending programs and conducts extensive outreach activities with community organizations and nonprofit community development corporations. Other duties include conducting self assessments of the program, ensuring the training of appropriate personnel in CRA matters, and that technical compliance with the Community Reinvestment Act is achieved. The self assessments are expansive and sufficiently detailed to enable the Board to accurately evaluate the bank's CRA performance.

The Auditing Department also reviews branch offices to determine if they are complying with the technical requirements of the Act. The Board approved the current CRA Statement January 23, 1996.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- **Extensive advertising and other marketing efforts reach all segments of the community.**
- **The bank promotes special CRA products through print and radio media in all LMI areas.**

The bank's CRA Marketing Committee develops marketing strategies. It has established a comprehensive marketing plan to promote credit products throughout the delineated community. Management uses traditional advertising media, such as newspapers, radio, and direct officer calling programs, as well as more specialized and targeted means. LMI and minority communities are reached through eleven local community newspapers in South Jersey. Free weekly publications that are distributed area-wide are also used.

The bank devoted 13 percent of its advertising budget in 1995, or \$46 thousand, to CRA products and services. These media campaigns specifically promoted the First Step Affordable Mortgage Program, the Helping Hand Affordable Home Improvement Loan Program, and Loan by Phone. The two special purpose loan programs were adopted in September 1994.

Commerce sponsors a weekly radio program, "The Church, The Community and Affordable Housing", which airs on three radio stations covering an area from Greater Philadelphia to the New Jersey shore. This program makes local residents more aware of affordable housing and community redevelopment efforts within their communities, and has materially helped the bank increase its lending to LMI applicants.

The bank sponsors local affordable housing and community development fairs that provide bank officers direct contact with consumers and small businesses in LMI communities. These are educational forums and provide information about the First Step Affordable Mortgage Program, the Helping Hand Home Improvement Program, Small Business Administration (SBA), and New Jersey Economic Development Authority (EDA) loans. Also, during 1995 the bank held breakfast meetings with ministers in Camden and Atlantic City. This provided access to inner-city congregations to inform them of the services available from the bank, especially its CRA products. These efforts continue in 1996 as Commerce organized and sponsored a Banking, Housing, and Community Development Seminar for 400 people at the Uptown Complex in Atlantic City. The Community Development Officer participated in the second Affordable Housing Workshop sponsored by the City of Camden. Commerce is also

helping the Mayor of Camden establish a mortgage team to help increase Camden's home ownership rates.

Besides the regular officer calling programs, the CRA Officer, Community Development Officer, and First Step Affordable Mortgage Officer have established a calling program designed to develop lending and deposit relationships in lower income communities. In June 1995, the bank began its sponsorship of the New Jersey CitizenAction's mortgage and credit counseling office within the low income community of Camden. The bank provided financial support to open an office and arranged free use of shared space. During the second half of 1995 the community group counseled 22 clients, who required long term assistance to ultimately qualify for a home purchase loan. In return for its services, Commerce is one of the referral sources for clients who successfully complete the program.

These marketing efforts have helped the bank increase lending to lower income applicants and small businesses in LMI neighborhoods.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- **Commerce addresses a reasonable portion of community credit needs.**
- **Lending levels continue to show a good responsiveness to small business.**
- **Housing related lending has increased since the last evaluation to more effectively meet the identified needs of the community.**

A review of the bank's March 31, 1995 and 1996 balance sheets reveals that the majority of the bank's lending activity continues to be concentrated within the commercial loan area. Commercial related credits approximate an average of 69 percent of total outstandings for the two-year period. Aggregate outstandings increased by 10 percent over the twelve month period. Consumer loans increased by 12 percent and residential mortgages increased by 25% over the same time period. This increase in outstandings occurred despite a decrease in the average size of the new loans originated during 1995, primarily, among the affordable products. The following table shows the differences in outstanding loans between Mar-1995 and Mar-1996.

Table I-1

Categories of Outstanding Loans

Loan Type	1995 (000's)	Percent of Total Loans	1996 (000's)	Percent of Total Loans
Residential Mortgages	\$ 78,000	12	\$ 98,000	13
Commercial Mortgages	309,000	46	325,000	43
Commercial Loans	112,000	17	138,000	18
Consumer Loans	172,000	25	192,000	26
Total Loans	\$ 671,000	100	\$ 753,000	100

Identified credit needs within the delineated community, including LMI areas, continue to be small business loans and residential mortgage products. Commerce offers and extends an array of loan products designed to address the needs as identified. The bank's CRA Statement correctly lists the type of products and services offered. Consumer related loan products include: affordable home improvement loans, home equity lines of credit, conventional and affordable residential real estate loans, secured and unsecured personal loans, credit cards, overdraft lines of credit and government guaranteed student loans. Among the business related credits offered are small business loans, construction loans and regular commercial loans. During the past year, Commerce increased its participation with the SBA. (See Assessment Factor J for more details).

Business Loans

Commerce Bank offers small business loans within its community. In 1995, 1,038 loans were originated to small businesses totaling \$97.6 million. This is a significant increase over 1994's volume of 683 loans totaling \$67.7 million. Small loans, as defined by the bank, are those loans of \$1 million or less. Small business loans accounted for approximately 50% of the total commercial loans originated during 1995.

Residential Mortgage Lending

Since the last review, this area of the bank's activity has shown growth in the number of loans originated for most mortgage related products. The notable exception is the drop in refinancing applications and originations, that was caused by a three percent increase in the interest rate environment. As noted in the chart below, the average size of a home purchase mortgage dropped from \$112,000 in 1994 to \$100,000 in 1995. Additionally, the average home improvement loan decreased from \$23,000 to \$15,000 over the same period. Combined, the home improvement and purchase products experienced an average of a 44%

increase in the number of loan originations. This illustrates the fact that Commerce is making loans with smaller dollar amounts, which is generally indicative of loans to low and moderate-income areas and individuals. The number of refinancing originations declined by 55 percent over the same time period. (See discussion under Assessment Factor E for further details). The following table shows the increased home lending activity in 1995.

Table I-2
Housing Related Lending

Commerce Bank, NA - HMDA Data (\$000's)								
Loan Type	Applications				Originations			
	1994		1995		1994		1995	
	#	\$ Amt.	#	\$ Amt.	#	\$ Amt.	#	\$ Amt.
Home Purchase	299	32,941	380	36,643	194	21,706	267	26,627
Refinance	628	73,215	378	31,111	436	51,093	277	23,071
Home Imp.	545	11,311	1,156	18,377	381	8,681	570	8,836
Totals	1,472	117,467	1,914	86,131	1,011	81,480	1,114	58,534

Note: The above chart does not include a nominal amount of multi-family loans.

Within its delineated community, Commerce analyzed aggregate and competitor banks' information for mortgage activity based upon 1994 HMDA LAR data. In the aggregate, these lenders originated \$1.6 billion in mortgage loans within the primary area served by Commerce. Based on the bank's originations within the community, Commerce achieved 6 percent of all applications and 3 percent of total originations. Lending in LMI areas revealed that the competitors made 1,002 loans totaling \$47 million. Commerce generated 53 loans for \$2.3 million. This amounted to 7 percent of both number and dollar total booked by Commerce. This reflects a marked improvement from the share noted at the prior review.

Special Mortgage Products

Included among the mortgage loans originated by Commerce, as discussed above, are loans granted under the "Helping Hand Home Improvement Loan" and the "First Step" affordable loans. These products, which were introduced in the latter half of 1994, are directed primarily to LMI applicants. Each of the products are designed to provide for more flexible lending and require lower down payments. The primary eligibility requirement for both

programs is the applicant's income. These income restrictions are based upon the New Jersey Council on Affordable Housing guidelines that establish low and moderate income thresholds based upon family size and the county in which the property is located.

The "Helping Hand" home improvement loan offers a below market rate of interest and terms designed to fit the budget of LMI individuals. Also, low cost private mortgage insurance (PMI) is available to those who need a loan of up to 95% of appraised value. The "First Step" program features a 1 percent discount on the normal 30 year, two point mortgage rate charged by the bank, for low income applicants. Moderate income applicants receive a ½ percent reduction in the mortgage rate. Until April 1, 1996 no points or PMI were required. Presently, low income applicants are not charged points or required to purchase PMI. Moderate income applicants are charged no points, but must purchase PMI. Additionally, the application fee is reduced to \$275. These enhancements were made in response to ascertainment of credit needs and prior low origination volumes.

1995 was the first full year for each of these products. Only a nominal amount of the "Helping Hand" has been originated. The bank may restructure this product because it causes debt-to-income ratios to increase to an extent that many applicants are disqualified. However, 119 home purchase loans totaling \$7.1 million were "First Step" mortgages. This equals 45 percent of the number and 26 percent of the amount of all home purchase loans originated by Commerce in 1995.

Consumer Loan Products

These types of credits, which include home equity lines of credit and traditional consumer loans, amounted to \$192 million outstanding at year end 1995. This amounted to 26 percent of the total loan portfolio.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- **Commerce Bank participates in governmentally guaranteed loan programs that assist the bank in meeting the credit needs of its community.**

Consumer Programs

Commerce continues to offer FHA/VA to its market. In 1994, originations of this type of loan amounted to \$3.3 million from 37 loans. In 1995 this total declined to 20 loans for \$1.9 million. The decline is attributed to the fact that a proprietary product, "First Step" mortgage, provides a more flexible lending criteria and requires a lower down payment than the government programs offered by the bank. This product, which was introduced in the latter half of 1994, is directed primarily to LMI applicants. Government guaranteed student loans,

however, increased from 1,750 loans totaling \$3.1 million in 1994, to 2,760 loans equaling \$9 million in 1995.

Commercial Programs

Participation in guaranteed loan programs offered through the Small Business Administration (“SBA”) and the New Jersey Economic Development Authority (“NJEDA”) assist the bank in providing alternative products. Commerce originated 87 loans amounting to \$8.9 million during 1995 compared to 10 credits for \$629 thousand in 1994. This activity resulted in Commerce being the fourth most active originator of SBA loans in the State of New Jersey in 1995. As a result of its efforts in 1995, the SBA recognized Commerce with its Gold Lending Award as well as bestowing a “Preferred SBA Lender” status upon the bank.

The NJEDA guarantees loans to companies that assist in enhancing the economy of the State of New Jersey through business expansion and providing employment opportunities. In 1994, seven loans were generated totaling \$5.3 million. Considerable activity in this area continued into 1995 as 13 loans were granted equaling \$6.3 million. The bank ranks among the top five EDA lenders in the state. In addition to the above, an economic development loan was made in conjunction with the Camden County Economic Improvement Authority (“CCIA”) for \$4 million. This loan utilized the tax free bond financing resources of the CCIA.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- **The delineated communities are reasonable and do not arbitrarily exclude LMI neighborhoods.**

Management determines CRA delineations by analyzing the bank’s deposit and lending distributions, and considers the geographic areas that they expect that its offices can serve. A recent analysis showed that 92 percent of all loans extended were within Commerce’s delineated communities. Although the delineation has not changed during this period of review, it will change as the bank opens additional offices serving different geographies. The bank has two delineated communities. One consists of the contiguous territory encompassing all of Camden, Burlington, and Gloucester Counties. The other consists of contiguous portions of Atlantic and Cape May Counties.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- **Overall lending patterns show reasonable penetration in low- and moderate-income census tracts and to low- and moderate- income individuals.**

Lending in Delineated Community

A significant majority of the lending activity occurred in the delineated community. During 1995, 93 percent of the number of HMDA reportable loans made and 85 percent of the dollars lent were located within the delineated community. The bank offers an affordable mortgage program targeting low- and moderate income individuals. The program was implemented late in 1994 and has been in place for the entire year of 1995. Virtually all of the affordable mortgage lending activity is located in the delineated community, and 93 percent of HMDA reportable loans originated in the delineated area. During 1995, 82 percent of the commercial loans were made in the delineated community. Eighty-nine percent of small business loans, defined as being less than one million dollars, were located in the delineated community. Management prepares several reports, which we verified for accuracy, showing the geographic distribution of loan activity.

The entire delineated community contains 358 census tracts. Five percent of the census tracts are low- income tracts, 11 percent are moderate- income tracts, 55 percent are middle- income tracts and 27 percent are upper- income census tracts. Two percent of the tracts did not have income data available.

Aggregate HMDA

The pattern of lending in LMI census tracts and to LMI individuals is reasonable. The following table showing HMDA lending patterns, reflects that the bank makes more loans to LMI individuals than in LMI census tracts. This is partly attributed to the fact that so far in the low income census tracts of the City of Camden there is very little demand for home purchase loans.

Table E-1

HMDA Reported Loans Lending Pattern Within the Delineated Community				
	Percentage Lending By Income Level of Census Tract		Percentage Lending By Income Level of Borrower	
	Number of Loans	Amount	Number of Loans	Amount
Low-Income	1%	1%	10%	5%
Moderate-Income	4%	4%	20%	16%
Middle and Upper-Income	95%	95%	70%	79%

The affordable mortgage program shows a reasonable pattern of lending within LMI tracts and to LMI individuals. The bank's data reveals that approximately 53 percent of the HMDA loans made and all the First Step Mortgage program loans were to LMI individuals.

The following tables compare 1994 and 1995 HMDA applications and originations in the delineated community. The data reflects an overall increase in HMDA activity during 1995. The table does not include multifamily HMDA activity.

Table E-2

HMDA ORIGINATIONS								
MSA	1994				1995			
	Purchase		Refinance		Purchase		Refinance	
	#	\$(millions)	#	\$(millions)	#	\$(millions)	#	\$(millions)
6160	111	11.6	292	27.9	195	17.5	214	14.7
0560	23	3.2	30	7.2	31	4.3	40	4.5
Total	134	14.8	322	35.1	226	21.8	254	19.2
<p>In 1995 the home purchase loans included 119 First Step Affordable Mortgage Program loans to low and moderate income applicants, totaling \$7 million. Twenty-eight of those loans totaling \$1.3 million were in low and moderate income census tracts.</p>								

Source: Internal Reports

Table E-3

HMDA - HOME IMPROVEMENT								
MSA	1994				1995			
	Applications		Originations		Applications		Originations	
	#	\$(millions)	#	\$(millions)	#	\$(millions)	#	\$(millions)
6160	509	10.5	362	8.1	1,013	16.1	519	8.0
0560	22	.4	10	.2	86	1.5	37	.7
Total	531	10.9	372	8.3	1,099	17.6	556	8.7

Source: Internal Reports

MSA 6160

The pattern for lending in low- and moderate- income census tracts and to low- and moderate-income individuals is reasonable. The delineated area contains 290 census tracts. Five percent of the census tracts are low- income census tracts, 9 percent of the tracts are moderate- income tracts, 56 percent of the tracts are middle- income tracts and 27 percent of the tracts are upper- income census tracts. Three percent of the tracts in the area did not have income data available.

Ninety percent of the loans made and 81 percent of the dollars lent were in Burlington, Camden and Gloucester Counties. One percent of the originations and dollars lent were in low- income census tracts and 4 percent of the originations and dollars lent were in moderate-income census tracts. Ten percent of the originations and 6 percent of the dollars lent were to low- income individuals and 22 percent of the originations and 18 percent of the dollars lent were to moderate- income individuals.

The majority of the bank's LMI lending occurs in Camden County which represents 68 percent of the low income and 39 percent of the moderate income census tracts in the delineated community. The tables below show a substantial increase in HMDA reportable loans in the county from 1994 to 1995, most notably among low and moderate census tracts and borrowers. All of the low and 40 percent of the moderate income census tracts are concentrated in the City of Camden. An analysis of the 1994 and 1995 HMDA activity in Camden County reveals all of the originations and dollars lent in low income census tracts were made in the City of Camden. Fifty-eight percent of the 1995 originations and dollars

lent in moderate income census tracts in Camden County were in the City of Camden. In 1995, 6 percent of the LMI loans made in Camden County were in the City of Camden, as contrasted with 2 percent in 1994. The increase in lending activity in 1995 is primarily attributed to the bank's marketing its affordable mortgage product, and special efforts to target residents of the City of Camden. The bank does not have a branch in the City of Camden.

Table E-4

HMDA ORIGINATIONS BY TRACT - CAMDEN COUNTY				
Census Tract Income	1994		1995	
	#	\$(000's)	#	\$(000's)
Low	2	17	13	479
Moderate	7	224	24	1,120
Middle	193	8,727	246	8,930
Upper	86	7,743	118	7,200

Source: Internal Reports

Table E-5

HMDA ORIGINATIONS BY INCOME - CAMDEN COUNTY				
Applicant Income Level	1994		1995	
	#	\$(000's)	#	\$(000's)
Low	14	435	47	1,356
Moderate	62	2,467	85	3,308
Middle	79	3,505	119	4,225
Upper	133	10,304	149	8,690

Source: Internal Reports

MSA 0560

The delineated community contains 68 census tracts. Six percent of the tracts are low-income census tracts, 16 percent of the tracts are moderate-income tracts, 53 percent of the

tracts are middle- income tracts and 24 percent of the tracts are upper- income census tracts. One tract did not have income data.

The pattern for HMDA reportable lending in LMI census tracts is low, however, the level of lending to LMI individuals is higher. Ten percent of the loans made and 19 percent of the dollars lent were in southeast Atlantic and northeast Cape May Counties. No loans were made in low- income census tracts. One loan, for \$80 thousand, was made in a moderate-income census tract. Nine percent of the loans were to low- income individuals (regardless of census tract) and 9 percent of the loans were to moderate income individuals.

Commercial Loans

Seven percent of the commercial loans and 5 percent of the small business loans were made in LMI census tracts within the delineated community. A review of all commercial lending activity reveals that 11 percent of 1995 commercial lending and 7 percent of small business lending originated in LMI census tracts. Management attributes lending outside the delineated community to their expertise in commercial real estate lending and the fact that in most instances real estate commercial loans at the other Commerce banking affiliates are referred to this bank. The table below details commercial lending activity and small business lending activity as defined by the Call Report.

Table E-6

COMMERCIAL LENDING ACTIVITY				
	Total \$(millions)	Total in Delineated Area \$(millions)	Total in LMI \$(millions)	Total LMI in Delineated Area \$(millions)
Commercial	194.6	153.6	21.9	11.4
Small Business	80.0	71.1	5.5	3.7
Total	274.6	224.7	27.4	15.1

Source: Internal Reports

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- **Commerce provides services to its delineated communities through branch facilities, ATM’s and alternative systems.**

The bank has 33 offices serving the two delineated communities. In addition to ATM's at these locations, the bank operates 12 remote, off-premise machines. One office has been opened during this period of review, and none have been closed. Most of the offices are in the New Jersey portion of the Philadelphia MSA, and serve a relatively affluent suburban market. ATM's serve the LMI communities of Camden and Atlantic City, although management plans to locate offices in these cities within the next year. Plans to have done so by now were encumbered by problems with site development. Branch hours are extended during the weekdays, and service is provided from 12:00 Noon to 4:00 P.M. on Sundays at all branch drive-in facilities, and some offices provide lobby service.

The bank has a branch expansion and accessibility plan to provide service through various means to the entire delineated communities. This includes opening full service branches, offsite ATM's, and continued marketing of Bank-By-Phone services. There are established written policies and procedures which provide guidance for opening, closing and consolidating branches. These comply with regulatory guidelines. All proposed bank openings, closings, and consolidations are reviewed to determine if there would be an adverse economic impact on the surrounding community, particularly when branches are located in LMI neighborhoods.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- **No practices were noted which would discourage applications for credit.**
- **The bank actively solicits applications for mortgage and consumer credit from all creditworthy applicants in its market area.**

Management has established a Fair Lending Program to help ensure that they are treating no group differently. The program includes control- and market-oriented elements. The controls consist of adequate policies and procedures, effective training, and includes internal comparative file review of residential mortgages. Management has designed internal policies and procedures to prevent illegal prescreening or discouragement of applications. Our review of files showed that all applicants for home purchase, refinancing, and home improvement loans receive similar assistance in preparing their applications.

Management has also developed special loan products and programs that have resulted in increased applications and originations from African-Americans and Hispanics. These programs, discussed in greater detail elsewhere in this document, include the "First Step" mortgage, "Helping Hand" home improvement loan, community outreach activities, and

consumer credit education. As indicated in Assessment Factor I, the “First Step” mortgage loan resulted in increasing the number of loans.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- **Commerce is in compliance with antidiscrimination laws.**
- **No evidence of any illegal credit practices was noted**

We conducted a concurrent Fair Lending examination during this review. Residential mortgages and home improvement loans were reviewed to determine compliance with Fair Lending laws and regulations. We sampled mortgage and consumer files, and compared African-American and Hispanic denials and White approvals to decide whether the bank is applying credit standards consistently among these groups. The number of applications received in 1995 increased over the number in 1994. Applications from minorities increased because of products and marketing targeted at these segments of the community. Our review of HMDA-reportable data suggests that the denial ratios for African-Americans and Hispanics are similar to other mortgage originators in the area. The tables below show the denial ratios for African-Americans and Hispanics compared with White applicants.

Table F-1

Denial Ratios

	1994	1995
HOME PURCHASE		
Black/White	1.01/1.00	1.83/1.00
Hispanic/White	0.42/1.00	0.75/1.00

HOME IMPROVEMENT/REFINANCINGS		
Black/White	2.38/1.00	3.09/1.00
Hispanic/White	2.56/1.00	1.77/1.00

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- **Participation in, and awareness of, local community development and redevelopment programs and projects continue to be adequate.**

For this examination, we used the definition for community development in the revised CRA regulation. Therefore, many activities which were included in this category in previous examinations are now included in Assessment Factors I, J, and E only. We only included loans where the bank had actually extended funds or a line of credit. We did not include any loans where the bank had committed to lend funds, as these activities will be included in future reviews of the bank's CRA performance.

Management continues to be aware of community development programs. The bank has made a number of direct community development loans, of these, ten loans totaling more than \$4 million were for LMI housing, and two loans totaling more than \$400 thousand to provide for other community services in LMI areas. Examples of the direct lending are:

- Jersey Counseling & Housing Development/Timber Falls - The loan was to acquire and rehab a ninety-five unit apartment complex. The apartments will be rented to low- and moderate-income senior citizens.
- Genesis Housing Corp. - The loan was to acquire and rehab housing for primarily low-income families. Genesis provides housing and job counseling for medium term in order to get the family to a self-supportive basis.
- Congregation El Shaddai - The loan was to acquire a minivan to provide senior citizens with transportation for medical appointments and other necessary services.

The bank extended \$150 thousand to the Delaware Valley Community Reinvestment Fund, a nonprofit community development corporation providing affordable housing and community development financing. The bank's capital assistance is committed for five years, and this will provide longer term funding to match the corporation's lending obligations.

The North Camden Plan Bank Compact is a cooperative effort among five local banks to revitalize impoverished North Camden. Commerce's commitment for each of the first three years includes \$36 thousand per year in grants, as well as participating in loans and tax credits for development projects.

The bank also provided funds to the Collaborative Lending Initiative, Inc. (CLI). CLI is a consortium that provides funding to nonprofit organizations for LMI housing.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- **There are no factors that impede the bank’s ability to service its community. The bank’s financial capacity is sufficient to support CRA endeavors that serve the needs of the delineated community.**

Commerce Bank, N.A. is a \$1.9 billion full service financial institution headquartered in Cherry Hill, New Jersey. It operates offices in Atlantic, Burlington, Camden, Cape May, and Gloucester Counties. Atlantic and Cape May counties are in MSA 560 (Atlantic City) which has a median family income of \$39,034. Burlington, Camden, and Gloucester counties are in MSA 6160 (Philadelphia/New Jersey) which has a median family income of \$41,908. The following table shows the median family income of the census tracts that are in the delineated community and the distribution of those census tracts.

Table K-1

Income Level of Census Tracts in the Delineated Community						
County	Median Family Income	Low	Moderate	Middle	Upper	N.A.
Camden	40,951	13	15	61	26	5
Burlington	45,476	2	9	59	40	0
Gloucester	43,791	0	3	42	13	2
Atlantic	39,717	4	11	32	14	1
Cape May	42,713	0	0	4	2	0
Total	42,740	19	38	198	95	8

According to the 1990 census data, the total population of the bank’s delineated community is more than 1.3 million, with Camden County being the most populous at more than 500 thousand.

Employment opportunities are varied. Burlington County, geographically the largest of the New Jersey's twenty-one counties, still provides the major portion of the state's agricultural output. It also is home to McGuire Air Force Base and Fort Dix (U.S. Army). Many employment opportunities in Burlington, Camden, and Gloucester Counties are centered around smaller service and manufacturing businesses. However, larger companies, such as Campbell's Soup, Coopers' Hospital, Honda, Martin-Marietta, Okidata, and SONY, are located here. Casinos, public utilities, and small businesses are the major employers in Atlantic and Cape May Counties.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- **The bank is involved in other meaningful activities that contribute to improving its community.**

The bank provides contributions, both monetary and furniture, to community development organizations within its community. In 1995 and year to date 1996 the contributions totaled \$123,500 and furniture valued at \$41,000. This includes significant monetary contributions to Habitat for Humanity and to the North Camden Plan.

The Camden Community Credit Union is a nonprofit community development credit union, established to provide basic banking services to low income residents of Camden. On November 24, 1994, Commerce committed a \$100 thousand deposit for three years at no interest, which will help the credit union in providing low cost loans.

ADDITIONAL INFORMATION

None