

PUBLIC DISCLOSURE

March 4, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

UNITED TRUST BANK

Institution's Identification Number: 143000

Address: 1130 Route 22 East
Bridgewater, New Jersey 08807

Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

Institution Rating.....	BB1
Institution's CRA Rating.....	BB1
Table of Performance Test Ratings.....	BB1
Summary of Major Factors Supporting Rating.....	BB1
 Institution	 BB2
Description of Institution	BB2
Scope of Examination	BB5
Conclusions With Respect to Performance Tests	BB7
 Exhibits	
Exhibit 1 -- Assessment Area Demographics	BB5
Exhibit 2 -- Lending Inside and Outside the Assessment Area	BB8
 Appendices	
CRA Appendix A: Scope of Examination	BB14
CRA Appendix B: Glossary.....	BB14
CRA Appendix C: Core Tables.....	BB17
CRA Appendix D: Map of Assessment Area.....	BB21

INSTITUTION RATING

INSTITUTION'S CRA RATING: United Trust Bank is rated “SATISFACTORY.”

The following table indicates the performance level of the institution with respect to the lending, investment and service tests.

PERFORMANCE LEVELS	UNITED TRUST BANK		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding		X	X
High Satisfactory			
Low Satisfactory	X		
Needs to Improve			
Substantial Noncompliance			

The major factors supporting the rating follow:

- The bank’s lending activity showed adequate responsiveness to retail credit needs in its assessment area when measured in terms of the number and dollar amount of housing-related and small business loans originated by the bank.
- The overall geographic distribution of loans was adequate.
- The overall distribution of loans to borrowers of different income levels and businesses of different sizes was good. Performance related to lending reported under the Home Mortgage Disclosure Act ("HMDA") was augmented by flexible products targeted to low- and moderate-income (“LMI”) borrowers.
- The bank had an excellent level of qualified investments.
- The bank’s delivery systems were readily accessible to geographies and individuals of different income levels, and the bank provides an excellent level of community development services.

* The lending test is weighted more heavily than the investment and service tests in determining the overall rating.

INSTITUTION

DESCRIPTION OF INSTITUTION

Formerly known as United National Bank, United Trust Bank (“United”) is a full-service commercial bank headquartered in Bridgewater, New Jersey. It is the principal subsidiary of United National Bancorp, a New Jersey-based bank holding company. United became a state-chartered member bank of the Federal Reserve System on June 29, 2001. The Office of Comptroller of the Currency (“OCC”) conducted the bank’s last CRA examination through calendar year 1998 and rated United “satisfactory.” This is the bank’s first CRA examination conducted by the Federal Reserve Bank of New York (“FRBNY”).

As of December 31, 2001, United had \$2 billion in assets, \$1.2 billion in net loans and leases (representing 63 percent of the bank’s assets), and \$1.4 billion in deposits. United operates a network of 36 branches throughout seven central and northern New Jersey counties. Based on deposits reported to the Federal Deposit Insurance Corporation (“FDIC”) as of June 30, 2001, United held a 2 percent market share of all bank branch deposits in the assessment area. For 2000, United had a 2.7 percent market share of the assessment area’s reported small business loans, net of the loans generated by credit card small business lenders. After netting out the non-institutional HMDA reporters, United had a .74 percent market share of all HMDA-related loans. There are no financial or legal factors that would prevent United from fulfilling its responsibilities under the CRA.

United provides financial services to individuals, small and medium-sized businesses, and government customers. The bank’s business lines include: (1) retail banking, featuring various consumer lending, residential mortgage lending and retail deposit services; (2) business banking, providing lending, deposit and employee benefit services; (3) government products and services designed exclusively for municipalities, boards of education and local governments; and (4) trust and investment products and services.

The bank’s assessment area is located entirely in the state of New Jersey and consists of portions of two contiguous primary metropolitan statistical areas: PMSA 5640 (Newark, NJ) and PMSA 5015 (Middlesex-Somerset-Hunterdon). Both are part of Consolidated Metropolitan Statistical Area (“CMSA”) 5602 (New York-Northern New Jersey-Long Island, NY-NJ-CT-PA), and therefore the two PMSAs can be consolidated into a single assessment area. The assessment area consists of 470 census tracts and is made up of Middlesex, Hunterdon, Somerset, Morris and Warren Counties and portions of Essex and Union Counties.

Since the previous CRA examination, United expanded its assessment area to include the entire counties (Middlesex and Morris Counties) and additional census tracts (in Essex and Union Counties). United’s assessment area is in compliance with the requirements of Section 228.41 (c) (2) of Regulation BB and does not arbitrarily exclude LMI geographies. For maps illustrating United’s assessment area, see Appendix D on page BB21.

United continued to be a prominent small business lender in its community during the examination period; however, the bank's lending strategy with regard to its residential mortgage portfolio changed. The bank acquired Raritan Savings Bank in April 1999, adding an additional \$250 million to an existing residential mortgage portfolio of \$250 million. The high concentration of fixed, long-term loans combined with the rate environment prompted management to reduce the residential mortgage portfolio. Thus, United began selling loans through bulk sales and primarily originating only those loans that could be sold in the secondary market. This practice continued into 2000 and 2001, resulting in reduced mortgage originations mainly as a result of the more restrictive secondary market underwriting guidelines.

In late 1997, the bank introduced loans for the purchase of manufactured housing as a new consumer loan product in an attempt to offset a large monthly runoff from its dominant product, indirect automobile loans. After considering local competitive constraints and demographics, management determined that the Pennsylvania market was more favorable for this line of business. The increases in population, rising costs of land and taxes, and significant decreases in available land combine to inhibit the development of mobile home parks in New Jersey. During the examination period, the volume of manufactured housing loans grew significantly.

United's performance was evaluated in terms of the demographic and economic context in which the bank operates. The performance context information presented below and in Exhibit 1 on page BB5 was obtained from publicly available sources. The sources include the U.S. Census Bureau (1990 and 2000), U.S. Department of Housing and Urban Development ("HUD"), New Jersey Department of Labor, New Jersey Association of Realtors and Workforce New Jersey Public Information Network.

PERFORMANCE CONTEXT

Demographic Characteristics

As previously discussed, United's assessment area consists of PMSA 5015 (Middlesex-Somerset-Hunterdon, NJ) and portions of PMSA 5640 (Newark, NJ). According to the 1990 Census, the bank's assessment area has a population of 2 million residing primarily in the counties of Middlesex (33 percent of the total population), Morris (21 percent), Union (13 percent), Somerset (12 percent) and Essex (11 percent). According to the 2000 Census, the population of the two MSAs in which the assessment area lies totals 3.1 million, a 7.5 percent increase since 1990.

The 1990 Census also reveals that of the total of 546 thousand families in the assessment area, 64 thousand, or only 12 percent, reside in the LMI tracts located in the assessment area. The assessment area contains 458 populated census tracts, of which 69 or 15 percent are LMI. There are a total of 1,614 owner-occupied housing units located in the assessment area's low-income census tracts. Of the total housing units located in LMI tracts, most (58 percent) are rental units. Such demographics indicate limited opportunities for lending in LMI geographies and to LMI borrowers.

Income Characteristics

The HUD estimated median family incomes in PMSA 5015 (Middlesex-Somerset-Hunterdon, NJ) for the three years of the examination period were \$76,700 in 1999, \$80,080 in 2000 and \$85,000 in 2001, the highest in the state of New Jersey. The estimated median family income for PMSA 5640 (Newark, NJ) during the same years were \$67,900, \$70,600 and \$74,000.

Housing Characteristics

Housing costs in the assessment area are high when compared with income levels. Although the 1990 Census puts the area's median housing value at \$195 thousand, housing prices soared during the examination period. According to the New Jersey Association of Realtors, the median sales price for houses sold in the fourth quarter of 2001 in the assessment area ranged from \$215 thousand in Middlesex County to \$339 thousand in Hunterdon County, the latter being the highest in the state. When comparing actual sales prices with the median family incomes in the assessment area, it is evident that most LMI borrowers can attain homeownership only through subsidies or special programs.

Labor, Employment and Economic Characteristics

As of 2000, United's assessment area contains 108,694 business establishments, of which 84 percent had gross annual revenues ("GAR") of \$1 million or less. Of these businesses, 9,537 or only 9 percent were located in LMI census tracts. The numerous small businesses in the assessment area provide ample opportunities for the bank's main product line, although the low number of businesses in LMI tracts provides limited opportunities geographically.

According to the U.S. Department of Labor, the 2001 annual unemployment rate is 3.2 percent in PMSA 5015 (Middlesex-Somerset-Hunterdon, NJ), and 4.3 percent in PMSA 5640 (Newark, NJ). The 2001 jobless rate for New Jersey is an estimated 4.1 percent.

According to the Workforce New Jersey Public Information Network ("WNJPIN"), as of 1998, employment in the counties included in the assessment area continues to increase with 82 percent of the labor force employed in service-producing industries (services, retail trade, public sector). This includes major pharmaceutical firms such as Merck and Johnson & Johnson as well as health care providers such as Somerset and Hunterdon Medical Centers and Warren Hospital. Another major employer in the assessment area is Rutgers University. The remaining 18 percent of the labor force is employed in goods-producing industries (mining, construction and manufacturing). This trend is projected to continue through 2008 with an increased concentration in service-producing industries.

EXHIBIT 1
Assessment Area Demographics
PMSA 5015 (Middlesex-Somerset-Hunterdon, NJ)
And PMSA 5640 (Newark, NJ)

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families By Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	6	1.28	3,938	0.72	1,567	4.9	74,947	13.73
Moderate-income	63	13.4	60,469	11.08	10,519	32.88	95,020	17.41
Middle-income	235	50	275,248	50.42	14,305	44.72	138,512	25.37
Upper-income	154	32.77	206,223	37.78	5,597	17.50	237,399	43.49
TOTALS	470*	100	545,878	100	31,988	100	545,878	100

	Housing Units by Tract	Housing Types by Tract					
		Owner-occupied		Rental		Vacancy	
		#	%	#	%	#	%
Low-income	6,542	1,608	0.31	4,456	2.31	478	1.41
Moderate-income	94,099	38,127	7.34	49,870	24.35	6,102	18.00
Middle-income	391,631	262,709	50.56	110,893	54.14	18,029	53.19
Upper-income	266,012	217,101	41.79	39,626	19.34	9,285	27.39
TOTALS	758,290	519,551	100	204,845	100	33,894	100

	Total Businesses By Tract		Businesses by Tract & Revenue Size**			
			Under \$1 million		Over \$1 million	
	#	%	#	%	#	%
Low-income	1,258	1.16	1,023	1.13	156	1.27
Moderate-income	8,279	7.62	7,044	7.75	732	5.97
Middle-income	54,663	50.29	45,776	50.39	6,078	49.54
Upper-income	44,478	40.92	36,980	40.71	5,299	43.19
Tract not reported	16	0.01	13	0.01	3	0.02
TOTALS	108,694	100	90,836	100	12,268	100

SCOPE OF EXAMINATION

A full review of United's performance was conducted for the bank's assessment area using the Federal Financial Institutions Examination Council's *Interagency Procedures and Guidelines for Large Retail Institutions*.

The evaluation of United's CRA performance covered the period of January 1, 1999, through December 31, 2001. Loan products analyzed include home purchase, refinance, home improvement and small business loans.

* The total number of tracts includes 12 tracts labeled "NA" (not available).

** The sum of businesses with GAR under \$1 million and business over \$1 million do not equal the total assessment area's total number of businesses because 5,590 business did not report revenues.

For analytical purposes, loan products were evaluated and weighted based on the overall number of loans and their relevance to all loans reviewed. The bank's HMDA-related and small business loan performance was compared with the aggregate of lenders in the bank's assessment area reporting HMDA-related and small business loans under the CRA. The data are reported annually, and the most recent year for which information was available is 2000.

The evaluation included community development loan originations and qualified investments between January 1, 1999, and December 31, 2001. Examiners conducted seven interviews with community contacts during this examination and reviewed five community contact reports recently concluded by the FRBNY or the FDIC. Contacts were made throughout the bank's assessment area and included local community-based organizations and municipal officials. After interviewing the community contacts and reviewing the earlier contacts from other regulators for the assessment area, examiners determined that limited community development opportunities exist in the bank's assessment area.

As discussed previously, United's business strategy during the evaluation period was to maintain its prominence with regard to its small business lending while de-emphasizing its mortgage retail lending. The lending test rating was heavily influenced by United's performance with respect to its small business lending, which represented 35 percent of the loan volume and 39 percent of the dollar amount of the bank's total lending in the assessment area.

For the evaluation of the geographic distribution of loans, geographies were classified on the basis of the Census Bureau's 1990 census tract income data. The distribution of loans to borrowers of different income levels was determined based on a weighted average of 2001 HUD estimated median family income figures for the various MSAs.

During the data integrity review, errors were found in the 1999 and 2000 small business data reported by the bank under the CRA. The 1999 small business data could not be corrected because of changes in operating systems subsequent to the original filing. Therefore, small business loans for 1999 were omitted from analysis at this examination. However, management corrected and resubmitted the 2000 data for use at this examination. The bank's public file contains corrected information for 2000 and a notice that the 1999 small business disclosure was inaccurate and could not be corrected.

In addition, errors were found in the HMDA data reported by the bank for the years 1999 and 2000. Management corrected and resubmitted the data for both years; the resubmitted data was used at this examination.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

United's record of meeting the credit needs of its assessment area through its lending activities is rated "low satisfactory" based on adequate lending activity, geographic distribution and community development lending, as well as good borrower distribution. Because of very limited opportunities available to the bank geographically, a greater emphasis was placed on the bank's lending to borrowers of different incomes and businesses of different sizes in the overall rating. As previously stated, greater emphasis was placed on United's performance with respect to its small business lending.

The data used to evaluate the bank's lending test performance are shown in Exhibit 2 and in the Core Tables in Appendix C. Lending activity is shown in Core Table 1, geographic distribution in Tables 2-7, and borrower characteristics are shown in Tables 8-12.

Lending Activity: Overall, United's level of lending activity in its assessment area was adequate, given the bank's business strategy. While the volume of small business lending was good, the volume of HMDA-related lending in the bank's assessment area was poor. Manufactured home lending significantly influenced the bank's HMDA-related loan volume overall; however, these loans were outside the bank's assessment area.

Within the assessment area, HMDA-related loan volume was weak, and during the examination period, the overall trend was down from 1,147 HMDA-related loans in 1999 to 920 in 2000 to 753 in 2001. This is attributable to the bank's business strategy during the period, as previously discussed. While the bank ranked 10th in terms of deposits in its assessment area with a 2 percent market share, it ranked only 25th among HMDA lenders operating in the assessment area in 2000. Conversely, the bank ranked ninth in small business lending with a 2.72 percent market share.

Assessment Area Concentration: United had a low level of lending in its assessment area primarily due to the change in the bank's business strategy related to the downsizing of the mortgage portfolio and emphasis on manufactured home lending (as discussed on page BB3). Specifically, 60 percent of the number and 74 percent of the dollar amount of all loans evaluated at this examination were generated in the assessment area, as detailed in Exhibit 2. Most important, only 36 percent of home purchase loans by number and 65 percent by dollar amount were originated in the bank's assessment area. Although a large number of loans were made outside the assessment area, the bank's lending by dollar amount carried more weight in the evaluation.

EXHIBIT 2								
Lending Inside and Outside the Assessment Area								
January 1, 1999 – December 31, 2001								
	Inside				Outside			
	#	%	\$ (000's)	%	#	%	\$ (000's)	%
Home Purchase	715	36	128,476	65	1,271	64	69,799	35
Refinancing	357	86	71,766	83	56	14	15,189	17
Home Improvement	394	94	12,526	91	26	6	1,244	9
Multifamily	0	0	0	0	1	100	120	100
Total HMDA-related	1,466	52	212,768	71	1,354	48	86,352	29
Total small business	778	84	135,307	80	144	16	32,932	20
TOTAL LOANS	2,244	60	348,075	74	1,498	40	119,284	26

Geographic Distribution of Lending: The overall geographic distribution of loans reflected adequate loan distribution based on the number of owner-occupied housing units and businesses primarily in moderate-income geographies as well as the performance of the aggregate. Performance in low-income geographies was given little weight in the overall rating for geographic distribution because of the very limited opportunities. (Only 1,600 owner-occupied housing units and 1,258 businesses are located in low-income census tracts.) For details, see Table 3.

Home Purchase Loans and Refinancings

When compared with the level of owner-occupied housing units and the aggregate, the overall geographic distribution of home purchase loans and refinancings across census tracts of different income levels reflected poor penetration. Home purchase lending in both low- and moderate-income geographies was poor, while refinancings were poor in moderate-income tracts and very poor in low-income tracts. In all instances, the bank's geographic loan penetration was exceeded by the aggregate, as shown in Appendix C Tables 2 and 4.

Home Improvement Loans

The overall geographic distribution of home improvement loans across census tracts of different income levels reflected good penetration compared with the level of owner-occupied housing units and the aggregate. Home improvement lending in moderate-income geographies was good and comparable with the aggregate, while the level of lending in low-income geographies was very poor and was exceeded by the aggregate.

Small Loans to Businesses

The overall geographic distribution of small loans to businesses across census tracts of different income levels reflected excellent penetration throughout the assessment area when compared with the number of small businesses located in LMI geographies. Moreover, the bank's level of

lending in moderate-income tracts was excellent and exceeded the aggregate, while the banks' lending in low-income tracts was adequate but exceeded the aggregate. For details, see Table 6.

Borrower Characteristics: The overall borrower distribution of loans across borrower income levels and businesses of different sizes reflected good performance.

Home Purchase Loans

The distribution of home purchase loans across borrower income levels reflected excellent distribution. The bank's home purchase lending to moderate-income borrowers was excellent, while lending to low-income borrowers was good. In both categories the bank's performance exceeded the aggregate. For details, see Table 8.

The bank has two flexible lending programs that augmented its performance in this segment of the lending test. One program enhancing performance with respect to LMI borrowers is the First Home Club. This program provides first-time LMI home buyers with up to \$5,000 in matching funds to help cover down payment and closing costs. The First Home Club program is funded by the Federal Home Loan Bank ("FHLB") and initiated in conjunction with local community organizations such as the Somerset County Coalition on Affordable Housing. During the examination period, the bank originated 30 loans through the program.

Another product the bank offers is the First Time Home Buyer Mortgage, which is directed to first-time home buyers whose income does not exceed 80 percent of the median family income in the assessment area. It offers lower down payment requirements as well as reduced interest rates. There were 160 first-time home buyer loans originated during the examination period. (The 190 loans originated through these two programs are included in the HMDA-related loan totals and in the lending test analysis.)

Refinancings

The distribution of refinance lending across borrower income levels was adequate. United's percentage of refinance loans to moderate-income borrowers was less than the percentage of moderate-income families in the assessment area, and the aggregate outperformed the bank in this category.

United's refinance lending to low-income borrowers was poor. The bank's percentage of loans to low-income borrowers was low when compared with the percentage of low-income families in the assessment area. This reduced level of refinance lending to low-income borrowers generally reflects the rarity of homeownership among low-income families, especially in a high housing cost area such as the bank's assessment area. Low-income homeowners may not be in the market for refinancings, even in a very favorable rate environment, because either they lack closing funds or their ownership may have resulted from an affordable mortgage product with a reduced interest rate. The aggregate lenders also did not match the percentage of low-income families; however, they outperformed the bank. For details, see Table 10.

Home Improvement Loans

The distribution of home improvement loans across borrower income levels reflected excellent distribution. The percentage of United's home improvement loans to moderate-income borrowers exceeded both the percentage of moderate-income families in the assessment area and the performance of the aggregate. The bank's home improvement lending to low-income borrowers also was excellent, with the bank exceeding the aggregate's performance. For details, see Table 9.

One program that enhanced United's performance with respect to home improvement loans is the Community Action Home Improvement Plan. This plan is designed to help LMI residents obtain affordable financing to improve their homes or apartments. It provides both secured and unsecured installment loans at a reduced rate. From 1999 through 2001, the bank originated eight secured loans to LMI individuals that were included in the loan totals and loan analysis. While the volume is small in number, the product does provide an opportunity for LMI residents that might not otherwise be able to afford home improvements.

Loans to Small Businesses

The distribution of small loans to businesses of different sizes was adequate. Of all small business loans in the assessment area, 55 percent were for \$100 thousand or less, an amount that would typically meet the credit needs of smaller businesses. A review of the aggregate's performance, net of high-volume credit card lenders, revealed that 79 percent of the aggregate's small business loans were for \$100 thousand or less.

A number of high-volume credit card lenders such as American Express, GE Capital and Capital One skew aggregate performance. Business credit cards qualify as small business loans, but they are targeted to smaller business expenses and have smaller dollar amounts than the typical financial institution loans used for working capital or receivables financing. Reviewing the aggregate's performance without credit card lenders is a more appropriate measure of the bank's small business lending performance.

In addition, United's percentage of loans made to businesses with GAR of \$1 million or less was lower than the percentage of such businesses in the assessment area. Although the bank outperformed the aggregate in this category, the number of loans in the aggregate for which revenue size was not reported is unknown, and therefore not as relevant. For details, see Table 11.

Community Development Lending: United's community development lending activity was adequate, given the limited level of opportunities in the assessment area. Community development loans totaled \$1,035,000, with loans for supportive services totaling \$635 thousand or 61 percent of all activity and loans to revitalize and stabilize LMI geographies totaling \$400 thousand or 39 percent of all activity.

Examples of community development lending in the assessment area include:

- A \$400 thousand line of credit to finance pre-development costs of a community redevelopment project in Plainfield, New Jersey. The project is located in an LMI census tract that is designated part of the city's redevelopment zone and is supported by the Union County Improvement Authority.
- A \$100 thousand loan to an organization providing micro-loans for LMI families under a New Jersey Department of Human Services program to help LMI families remain employed and free of public assistance.
- A \$100 thousand loan to aid the development of a recreation center for a nonprofit organization in Plainfield, New Jersey. The center primarily serves LMI persons.
- A \$40 thousand loan to a nonprofit organization that runs a daily soup kitchen for LMI individuals.
- A \$30 thousand loan to a nonprofit agency that builds affordable housing for LMI individuals. This organization provides free labor from skilled professionals and the dollars are used primarily for supplies.

INVESTMENT TEST

United's investment performance is rated "outstanding" based on its performance throughout the assessment area. Qualified investments in the assessment area were excellent, totaling \$7.5 million. Seven percent of the total, or \$559 thousand, were grants to organizations in the bank's assessment area that provide services. For details, see Table 14.

The bank's qualified investments directed primarily to support services totaled \$6.5 million, or 86 percent. Thirteen percent was dedicated to small business development, and 1 percent to affordable housing.

Support service investments included \$4 million in a New Jersey Economic Development Authority ("NJEDA") bond for a community health center primarily for LMI residents. The bank also made an \$852 thousand investment in a bond that supports a provider of preschool day care for LMI individuals. Another support service investment was \$500 thousand for a New Jersey nursing home primarily for Medicaid recipients. In addition, over \$400 thousand was invested in the bank's community education center in Plainfield, New Jersey. The center, formerly a branch of the bank, provides educational seminars, informational resources and accommodations for community meetings. The bank pays for a full-time employee who administers the center, a full-time security guard, and all required utilities and maintenance.

Investments also included slightly more than \$1 million for economic development through small business development financing, including a Small Business Administration (“SBA”) micro loan program.

SERVICE TEST

United’s rating on the service test is “outstanding” based on excellent accessibility of retail services and a very high level of community development services. For details, see Table 15, which compares branch locations with the population information.

Retail Services: United’s delivery systems are readily accessible to all portions of the bank’s assessment area. Distribution of branches was excellent compared with the population and businesses in LMI tracts. Of the bank’s 36 branches, 11 percent (4) were located in LMI census tracts, compared with 13 percent of the population residing in LMI census tracts. The accessibility of branches is further enhanced when considering ten branches located less than two miles from an LMI census tract also provide services to LMI residents and businesses.

All 36 branches provide extended hours in the evenings and/or Saturdays as well as 24-hour automatic teller machines (“ATMs”). United provides free online banking and telephone services to all customers. In addition, the bank has a Mobile Banking Unit that began operation in October 1999. The full-service unit also offers an ATM facility. It stops at different locations in the assessment area every day, including assisted-living facilities, schools and bus stops.

The record of opening and closing branch offices did not adversely affect the accessibility of the bank’s delivery systems, particularly to LMI persons and in LMI geographies. During the review period, three branches were closed and consolidated into existing branch offices located less than half a mile from the original location of the branch. One of the branches closed was located in an LMI census tract, but it was consolidated into another nearby branch also located in an LMI tract. Eleven branches were opened in the assessment area, one in a moderate-income census tract.

United offers the same full range of consumer and commercial deposit and loan services in all branch locations, except the NORWESCAP Family Loan Program (discussed below), which is offered in only Warren and Somerset Counties due to limited state funding.

Community Development Services: United provided a very high level of community development services in the assessment area. The bank held 44 seminars at its community education center (discussed on page BB11), which is located in a moderate-income census tract of Plainfield. Eight of the seminars concerned affordable housing, 14 focused on community services, and 22 concentrated on economic development. United presented 15 of the workshops directly and the remaining 29 seminars were presented by outside organizations or individuals, with the bank providing meeting space. Most of the events sponsored by the bank focused on buying a home, including the First Home Club, as well as retirement planning and job hunting.

The bank also provided space for community meetings free of charge at its community education center. There were 34 meetings. Some of the groups that used the space include the Union

County Economic Development Board, Faith Bricks and Mortar (low-income housing) and the Plainfield Chamber of Commerce.

Approximately 12 United officers and employees provided technical services to 19 community development organizations. Some of these groups include Somerset County Coalition on Affordable Housing, City of North Brunswick Loan Pool Program, the Greater Newark Business Development Consortium, and the Family Services Group of Bound Brook, New Jersey, which is a predominantly LMI community.

United administers savings accounts that are part of the FHLB's First Home Club. The program provides first-time LMI home buyers with up to \$5,000 in matching funds for their savings accounts to help cover down payment and closing costs. During the examination period, the bank maintained 93 savings accounts for First Home Club participants.

In addition to the First Home Club, United offers various products and services geared primarily to LMI families and individuals, as well as small businesses. Some of these include Easy Checking, which offers a low minimum opening balance as well as low monthly maintenance fees. Another product, which accommodates LMI families in Warren and Somerset Counties, is the NORWESCAP Family Loan Program, essentially a welfare-to-work program. Under this program, United partnered with the Northwest New Jersey Community Action Program to provide small loans (\$500 to \$3,000) along with low interest rates and economic literacy counseling to help working families stay employed.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

No credit practices that violated the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B) and the Fair Housing Act, were identified that would have an impact on United's CRA rating.

CRA APPENDIX A

SCOPE OF EXAMINATION

Please see page BB5 for the Scope of Examination.

CRA APPENDIX B

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Block numbering area (“BNA”): A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into “male householder” (a family with a male

householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Full review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

Home Mortgage Disclosure Act (“HMDA”): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (“MA”): Any primary metropolitan statistical area (“PMSA”), metropolitan statistical area (“MSA”), or consolidated metropolitan area (“CMSA”), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income ("Call Report") and the Thrift Financial Reporting ("TFR") instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in "loans to small farms" as defined in the instructions for preparation of the Call Report. These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

CRA APPENDIX C

FFIEC INTERAGENCY CORE CRA PUBLIC EVALUATION TABLES

Table 1. Lending Volume

LENDING VOLUME		State: NEW JERSEY						Evaluation Period: JULY 1, 1999 TO MARCH 31, 2001					
Metropolitan Statistical Area/ Assessment Area	% of Rated Area Loans (#) in MSA/AA***	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans*		Total Reported Loans		% of Rated Area Deposits in MSA/AA**	
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)		\$(000's)		
Full Review:													
ASSESSMENT AREA	100	1,466	212,768	778	135,307	0	0	14	1,035	2,258	349,110	100	

(*) The evaluation period for community development loans is July 1, 1999 through December 31, 2001.
 (**) Deposit data as of June 30, 2001. Rated area refers to either the state or multistate MSA rating area.
 (***) Loan data as of December 31, 2001. Rate area refers to either the state or multistate MSA ratings area.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE ("HP")		State: NEW JERSEY						Evaluation Period: JANUARY 1, 1999 TO OCTOBER 31, 2001						
Metropolitan Statistical Area/ Assessment Area	Total HP Loans		Low-income Geographies		Moderate-income Geographies		Middle-income Geographies		Upper-income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner-Occupied Units***	% Bank Loans	% Owner-Occupied Units***	% Bank Loans	% Owner-Occupied Units***	% Bank Loans	% Owner-Occupied Units***	% Bank Loans	Low	Mod	Mid	Upper
Full Review:														
ASSESSMENT AREA	715	100	0.31	0.14	7.34	3.22	50.56	55.38	41.79	41.26	0.48	7.90	50.2	41.47

(*) Based on 2000 Aggregate HMDA Data only.
 (**) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.
 (***) Percentage of owner-occupied units is the number of owner-occupied housing units in a particular geography divided by the number of owner-occupied housing units in the area based on 1990 Census information.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT ("HI")			State: NEW JERSEY				Evaluation Period: JANUARY 1, 2000 TO OCTOBER 31, 2001							
Metropolitan Statistical Area/ Assessment Area	Total HI Loans		Low-income Geographies		Moderate-income Geographies		Middle-income Geographies		Upper-income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner-Occupied Units***	% Bank Loans	% Owner-Occupied Units***	% Bank Loans	% Owner-Occupied Units***	% Bank Loans	% Owner-Occupied Units***	% Bank Loans	Low	Mod	Mid	Upper
Full Review:														
ASSESSMENT AREA	394	100.00	0.31	0.0	7.34	6.60	50.56	63.71	41.79	29.70	0.32	7.66	52.27	39.75

(*) Based on 2000 Aggregate HMDA Data only.

(**) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

(***) Percentage of Owner-occupied Units is the number of owner-occupied housing units in a particular geography divided by the number of owner-occupied housing units in the area based on 1990 Census information.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCINGS			State: NEW JERSEY				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001							
Metropolitan Statistical Area/ Assessment Area	Total Refinancings		Low-income Geographies		Moderate-income Geographies		Middle-income Geographies		Upper-income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner-Occupied Units***	% Bank Loans	% Owner-Occupied Units***	% Bank Loans	% Owner-Occupied Units***	% Bank Loans	% Owner-Occupied Units***	% Bank Loans	Low	Mod	Mid	Upper
Full Review:														
ASSESSMENT AREA	357	100	0.31	0.00	7.34	2.52	50.56	51.82	41.79	45.66	0.44	8.07	51.83	39.66

(*) Based on 2000 aggregate HMDA data only.

(**) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

(***) Percentage of owner-occupied units is the number of owner-occupied housing units in a particular geography divided by the number of owner-occupied housing units in the area based on 1990 Census information.

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES			State: NEW JERSEY				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001							
Metropolitan Statistical Area/ Assessment Area	Total Loans		Low-income Geographies		Moderate-income Geographies		Middle-income Geographies		Upper-income Geographies		Aggregate Lending (%) by Tract Income*			
	#	% of Total**	% of Businesses***	% Bank Loans	% of Businesses***	% Bank Loans	% of Businesses***	% Bank Loans	% of Businesses***	% Bank Loans	Low	Mod	Mid	Upper
Full Review:														
ASSESSMENT AREA	778	100	1.17	0.77	7.62	10.41	50.29	55.14	40.92	33.68	0.69	6.14	49.49	43.65

(*) Based on 2000 aggregate small business data only.

(**) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

(***) Source of Data-Dun and Bradstreet

(****) Small business data for 2000 and 2001 only.

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE			State: NEW JERSEY				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001							
Metropolitan Statistical Area/ Assessment Area	Total HP Loans		Low-income Borrowers		Moderate-income Borrowers		Middle-income Borrowers		Upper-income Borrowers		Aggregate Lending Data**			
	#	% of Total***	% Families****	% Bank Loans*	% Families****	% Bank Loans*	% Families****	% Bank Loans*	% Families****	% Bank Loans*	Low	Mod	Mid	Upper
Full Review:														
ASSESSMENT AREA	702	100	13.73	11.25	17.41	33.19	25.37	19.94	43.49	35.61	7.48	20.87	27.57	44.07

(*) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

(**) Based on 2000 aggregate HMDA data only.

(***) As a percentage of loans with borrower income information available.

(****) Percentage of families is based on the 1990 Census.

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT			State: NEW JERSEY				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001							
Metropolitan Statistical Area/ Assessment Area	Total HI Loans		Low-income Borrowers		Moderate-income Borrowers		Middle-income Borrowers		Upper-income Borrowers		Aggregate Lending Data**			
	#	% of Total***	% Families****	% Bank Loans*	% Families****	% Bank Loans*	% Families****	% Bank Loans*	% Families****	% Bank Loans*	Low	Mod	Mid	Upper
Full Review:														
ASSESSMENT AREA	390	100%	13.73	19.23	17.41	24.62	25.37	24.10	43.49	32.05	10.93	18.97	28.89	41.21

(*) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

(**) Based on 2000 aggregate HMDA data only.

(***) As a percentage of loans with borrower income information available.

(****) Percentage of families is based on the 1990 Census.

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCINGS			State: NEW JERSEY				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001							
Metropolitan Statistical Area/ Assessment Area	Total Refinancings		Low-income Borrowers		Moderate-income Borrowers		Middle-income Borrowers		Upper-income Borrowers		Aggregate Lending Data**			
	#	% of Total***	% Families****	% Bank Loans*	% Families****	% Bank Loans*	% Families****	% Bank Loans*	% Families****	% Bank Loans*	Low	Mod	Mid	Upper
Full Review:														
ASSESSMENT AREA	312	100%	13.73	4.81	17.41	14.74	25.37	21.47	43.49	58.97	9.14	21.59	28.46	40.81

(*) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

(**) Based on 2000 Aggregate HMDA Data only.

(***) As a percentage of loans with borrower income information available

(****) Percentage of families is based on the 1990 Census information.

Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES				State: NEW JERSEY				Evaluation Period: JANUARY 1, 2000 TO OCTOBER 31, 2001			
Metropolitan Statistical Area/ Assessment Area	Total Small Loans to Businesses		Businesses With Revenues of \$1 Million or less		Loans by Original Amount Regardless of Business Size			Aggregate Lending Data***			
	#	% of Total****	% of Businesses*	% Bank Loans**	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1 Million	All	Revenues \$1 Million or Less		
Full Review:											
ASSESSMENT AREA	778	100	83.57	49.74	54.88	24.68	20.44	46,602	17,698		

(*) Businesses with revenues of \$1 million or less as a percentage of all businesses.

(**) Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses originated and purchased by the bank.

(***) Based on 2000 Aggregate Small Business Data only.

(****) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS				State: NEW JERSEY				Evaluation Period: JULY 1, 1999 TO DECEMBER 31, 2001			
Metropolitan Statistical Area/ Assessment Area	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**			
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)		
Full Review:											
ASSESSMENT AREA	5	5,548	2	1,971	7	7,519	100				

(*) Prior Period Investment means investments made in a previous evaluation period that are outstanding as of the examination date.

(**) Unfunded Commitment means a legally binding investment commitment that is tracked and recorded by the bank's financial reporting system.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM & OPENINGS/CLOSINGS										State: NEW JERSEY				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2001			
Metropolitan Statistical Area/ Assessment Area	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of Bank Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings*	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population Within Each Geography			
				Low	Mod	Mid	Upper			Low	Mod	Mid	Upper	Low	Mod	Mid	Upper
Full Review:																	
ASSESSMENT AREA	100	36	100	0	4	22	10	3	11	0	0	5	3	1	12	50	37

* All the closed branches were consolidated into existing branches located less than half a mile from the original location of the branch.

MAP OF ASSESSMENT AREA