



**NEW YORK STATE BANKING DEPARTMENT**  
**CONSUMER SERVICES DIVISION**  
One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2007

**Institution:** First Central Savings Bank  
70 Glen Street  
Glen Cove, NY 11542

**Note:** This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Banking Department concerning the safety and soundness of this financial institution.

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## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of First Central Savings Bank (“FCSB”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2007.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations of intermediate small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

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## **OVERVIEW OF INSTITUTION'S PERFORMANCE**

FCSB is rated "2," indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following factors:

- ***Loan-to-Deposit ("LTD") Ratio:*** FCSB's average LTD ratio of 85.0% was reasonable in light of its size, financial condition and the credit needs of its assessment area.
- ***Assessment Area Concentration:*** FCSB extended the majority of its HMDA-reportable, small business and consumer loans in the assessment area.
- ***Geographic Distribution of Loans:*** The geographic distribution of FCSB's HMDA, small business and consumer loans reflected a reasonable dispersion among census tracts of different income levels.
- ***Distribution by Borrowers Characteristics:*** The borrower characteristics of FCSB's small business lending within the assessment area reflected a reasonable penetration among businesses of different revenue sizes.

### **II. Community Development Test: "Satisfactory"**

FCSB's community development performance demonstrated an adequate responsiveness to the community development needs of its assessment area. FCSB extended community development loans and grants which totaled \$6.6 million, and provided a high level of community development services.

Neither FCSB nor the New York State Banking Department received any complaints with respect to its CRA performance during the evaluation period.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York State Banking Law and Part 76 of the General Regulations of the Banking Board.

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## **PERFORMANCE CONTEXT**

### **Institution Profile**

FCSB, chartered by the New York State Banking Department in 1999, is a stockholder-owned community-based thrift institution.

On FCSB's year-end Call Report for 2007, FCSB reported total assets of \$639.7 million, including \$453.6 million in net loans and lease finance receivables. As of the same report date, FCSB reported total deposits of \$578.5 million, resulting in a loan-to-deposit ratio of 78.4%.

According to the Federal Deposit Insurance Corporation's Summary of Deposits for 2007, FCSB held a market share of 0.07%, or \$304.6 million out of \$462.2 billion in deposits, inside its assessment area.<sup>1</sup> This market share gave FCSB a rank of 64<sup>th</sup> among 118 deposit-taking institutions within its assessment area.

The following is a summary of FCSB's lending portfolio based on Schedule RC-C of the year-end Call Reports for 2005, 2006 and 2007:

| <b>TOTAL LOANS OUTSTANDING</b> |                   |              |                   |              |                   |              |
|--------------------------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|
| <b>LOAN TYPE</b>               | <b>12/31/2005</b> |              | <b>12/31/2006</b> |              | <b>12/31/2007</b> |              |
|                                | <b>\$000</b>      | <b>%</b>     | <b>\$000</b>      | <b>%</b>     | <b>\$000</b>      | <b>%</b>     |
| 1-4 Residential Mortgage Loans | 75,840            | 25.5         | 99,398            | 25.4         | 93,876            | 20.5         |
| Commercial & Industrial Loans  | 14,110            | 4.8          | 29,989            | 7.7          | 32,459            | 7.1          |
| Commercial Mortgage Loans      | 118,929           | 40.1         | 159,326           | 40.7         | 207,132           | 45.3         |
| Multifamily Mortgages          | 75,027            | 25.3         | 75,507            | 19.3         | 67,576            | 14.8         |
| Consumer Loans                 | 5,656             | 1.9          | 8,006             | 2.0          | 26,891            | 5.9          |
| Construction Loans             | 6,536             | 2.2          | 19,035            | 4.9          | 29,754            | 6.5          |
| Other Loans                    | 797               | 0.3          | 0                 | 0.0          | 0                 | 0.0          |
| <b>Total</b>                   | <b>296,895</b>    | <b>100.0</b> | <b>391,261</b>    | <b>100.0</b> | <b>457,688</b>    | <b>100.0</b> |

As illustrated in the table above, FCSB is primarily a commercial mortgage lender as it had a majority of its loan portfolio in commercial mortgages as of December 31, 2007. During the same period, one- to four-family residential mortgage loans represented 20.5% of its portfolio. FCSB's one- to four-family residential mortgages were underwritten and brokered by Meridian Services, Incorporated. Based on FCSB's agreement with Meridian and its affiliate, MSI, FCSB holds these brokered loans for 90 days and then sells them back to Meridian.

FCSB operates in a highly competitive lending and deposit market. Competitors with a presence inside its assessment area include JPMorgan Chase, Bank of America, HSBC, Washington Mutual and Citibank N. A. Most of these institutions are larger than FCSB and have the ability to compete aggressively for loans with lower rates and longer terms. As a result, FCSB focuses on multi-family loans.

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<sup>1</sup> The FDIC bases its Summary of Deposits on data collected annually as of June 30.

FCSB moved its head office to Glen Cove, New York, however it maintains its retail banking services in Whitestone. In addition, it opened two branches, one in Bayside and another one in Flushing, New York, during the current evaluation period.

FCSB operates nine banking offices, including its main office in Glen Cove, Nassau County and eight branches in the communities of Astoria, Whitestone and Ridgewood in Queens County. Its head office is located in a moderate-income census tract; seven branches are in middle-income tracts and one is in an upper-income area. For additional accessibility to its retail banking services, FCSB offers a deposit-taking automated teller machine in each of its nine branches.

FCSB's previous Performance Evaluation, conducted by the New York State Banking Department as of December 31, 2004, resulted in a rating of "2." This rating reflected FCSB's satisfactory record of helping to meet the credit needs of its assessment area. There are no known financial or legal impediments affecting FCSB's ability to meet the credit needs of its community.

### Assessment Area

FCSB's assessment area is comprised of Bronx, Kings, New York, Queens and Westchester Counties located in Metropolitan Division ("MD") #35644; Nassau and Suffolk counties are located in MD #350004.<sup>2</sup> These counties contain 2,925 census tracts.

The following shows the distribution of census tracts within FCSB's assessment area:

| Distribution of Assessment Area Census Tracts by Income Level |            |             |            |             |              |             |            |             |           |            |              |              |             |
|---|------------|-------------|------------|-------------|--------------|-------------|------------|-------------|-----------|------------|--------------|--------------|-------------|
| County  | Low        |             | Moderate   |             | Middle       |             | Upper      |             | N/A       |            | Total        | LMI          |             |
|   | #          | %           | #          | %           | #            | %           | #          | %           | #         | %          | #            | #            | %           |
| Kings   | 119        | 15.2        | 297        | 37.9        | 235          | 30.0        | 117        | 14.9        | 15        | 1.9        | 783          | 416          | 53.1        |
| Queens  | 12         | 1.8         | 148        | 22.0        | 310          | 46.1        | 185        | 27.5        | 18        | 2.7        | 673          | 160          | 23.8        |
| Bronx   | 132        | 37.2        | 98         | 27.6        | 65           | 18.3        | 46         | 13.0        | 14        | 3.9        | 355          | 230          | 64.8        |
| Westchester   | 4          | 1.8         | 21         | 9.5         | 39           | 17.6        | 153        | 69.2        | 4         | 1.8        | 221          | 25           | 11.3        |
| New York  | 60         | 20.3        | 59         | 19.9        | 24           | 8.1         | 144        | 48.6        | 9         | 3.0        | 296          | 119          | 40.2        |
| Suffolk   | 2          | 0.6         | 64         | 20.0        | 197          | 61.6        | 49         | 15.3        | 8         | 2.5        | 320          | 66           | 20.6        |
| Nassau  | 2          | 0.7         | 20         | 7.2         | 178          | 64.3        | 69         | 24.9        | 8         | 2.9        | 277          | 22           | 7.9         |
| <b>Total</b>  | <b>331</b> | <b>11.3</b> | <b>707</b> | <b>24.2</b> | <b>1,048</b> | <b>35.8</b> | <b>763</b> | <b>26.1</b> | <b>76</b> | <b>2.6</b> | <b>2,925</b> | <b>1,038</b> | <b>35.5</b> |

The assessment area appears reasonable based on FCSB's lending patterns and the location of its offices. There was no evidence that FCSB had arbitrarily excluded LMI tracts from its assessment area.

2. MSA/MD – An area that has at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree.

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**Details of Assessment Area:**

**Demographic & Economic Data**

The following charts show the demographic and the economic data for each county in FCSB's assessment area. The information shown in Charts #1 and #2 are according to the 2000 U.S. Census data. The information shown in Chart #3 is as provided by the 2007 business geo-demographic data obtained from PCI Corporation.

- Chart #1: Population and Income Characteristics
- Chart #2: Housing Demographics
- Chart #3: Business Demographics

**Unemployment Rates**

The following chart shows the annual unemployment rates for each county in FCSB's assessment area compared with the statewide and Metropolitan Division, based on the U.S. Bureau of Labor Statistics.

| <b>Assessment Area Unemployment Rate</b> |            |              |              |                 |                  |                    |                 |                       |                  |                   |
|--|------------|--------------|--------------|-----------------|------------------|--------------------|-----------------|-----------------------|------------------|-------------------|
|  | State-wide | MD<br>350004 | MD<br>356404 | Kings<br>County | Queens<br>County | New York<br>County | Bronx<br>County | Westchester<br>County | Nassau<br>County | Suffolk<br>County |
| 2005                                     | 5          | 4.2          | 5.3          | 6.2             | 5.2              | 5                  | 7.5             | 4                     | 4.1              | 4.2               |
| 2006                                     | 4.6        | 3.9          | 4.8          | 5.4             | 4.5              | 4.3                | 6.7             | 3.8                   | 3.8              | 4                 |
| 2007                                     | 4.5        | 3.7          | 4.7          | 5.5             | 4.5              | 4.4                | 6.9             | 3.7                   | 3.6              | 3.8               |

**CHART # 1**

| <b>FIRST CENTRAL SAVINGS BANK<br/>ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY</b> |                  |           |                 |           |                 |        |                           |             |                  |      |                              |         |                |            |      |                 |      |               |      |              |      |                            |   |
|---|------------------|-----------|-----------------|-----------|-----------------|--------|---------------------------|-------------|------------------|------|------------------------------|---------|----------------|------------|------|-----------------|------|---------------|------|--------------|------|----------------------------|---|
| COUNTY  | Total Population |           | Age 65 and over |           | Age 16 and less |        | Median Family Income(MFI) | HUD MSA MFI | Total Households |      | Total HH below poverty level |         | Total Families | Low income |      | Moderate income |      | Middle income |      | Upper income |      | LMI families in LMI tracts |   |
|   | #                | #         | %               | #         | %               | \$     | \$                        | #           | #                | %    | #                            | #       | %              | #          | %    | #               | %    | #             | %    | #            | %    | #                          | % |
| <b>KINGS</b>  | 2,465,326        | 282,658   | 11.5            | 587,575   | 23.8            | 39,349 | 59,500                    | 881,006     | 211,538          | 24.0 | 588,870                      | 211,522 | 35.9           | 103,994    | 17.7 | 99,118          | 16.8 | 174,206       | 29.6 | 233,373      | 74.0 |                            |   |
| <b>QUEENS</b>   | 2,229,379        | 283,042   | 12.7            | 453,930   | 20.4            | 49,815 | 59,500                    | 782,646     | 110,462          | 14.1 | 542,804                      | 123,580 | 22.8           | 94,780     | 17.5 | 108,206         | 19.9 | 216,238       | 39.8 | 84,937       | 38.9 |                            |   |
| <b>BRONX</b>  | 1,332,650        | 133,948   | 10.1            | 356,895   | 26.8            | 33,099 | 59,500                    | 463,242     | 134,404          | 29.0 | 317,248                      | 133,175 | 42.0           | 58,745     | 18.5 | 51,854          | 16.3 | 73,504        | 23.2 | 163,697      | 85.3 |                            |   |
| <b>NEW YORK</b>   | 1,537,195        | 186,776   | 12.2            | 229,772   | 14.9            | 71,629 | 59,500                    | 739,167     | 123,037          | 16.6 | 306,220                      | 89,281  | 29.2           | 40,700     | 13.3 | 38,804          | 12.7 | 137,435       | 44.9 | 100,358      | 77.2 |                            |   |
| <b>NASSAU</b>   | 1,334,544        | 200,841   | 15.0            | 293,128   | 22.0            | 85,752 | 93,800                    | 447,803     | 23,537           | 5.3  | 349,694                      | 58,413  | 16.7           | 59,669     | 17.1 | 80,471          | 23.0 | 151,134       | 43.2 | 17,024       | 14.4 |                            |   |
| <b>SUFFOLK</b>  | 1,419,369        | 167,558   | 11.8            | 332,521   | 23.4            | 74,455 | 93,800                    | 469,535     | 26,498           | 5.6  | 362,857                      | 70,052  | 19.3           | 72,922     | 20.1 | 91,882          | 25.3 | 128,001       | 35.3 | 44,099       | 30.8 |                            |   |
| <b>WESTCHESTER</b>  | 923,459          | 128,964   | 14.0            | 207,207   | 22.4            | 89,228 | 59,500                    | 337,486     | 28,554           | 8.5  | 237,010                      | 30,205  | 12.7           | 24,729     | 10.4 | 33,274          | 14.0 | 148,802       | 62.8 | 14,189       | 25.8 |                            |   |
| <b>TOTAL A/A</b>  | 11,241,922       | 1,383,787 | 12.3            | 2,461,028 | 21.9            | 59,451 | 66,501                    | 4,120,885   | 658,030          | 16.0 | 2,704,703                    | 716,255 | 26.5           | 455,512    | 16.8 | 503,609         | 18.6 | 1,029,327     | 38.1 | 657,677      | 56.1 |                            |   |



**CHART # 2**

| <b>FIRST CENTRAL SAVINGS BANK<br/>ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY</b> |                        |                     |      |                      |      |                               |      |                                   |      |                                   |      |                                   |      |                                   |      |                 |      |                             |      |                       |
|---|------------------------|---------------------|------|----------------------|------|-------------------------------|------|-----------------------------------|------|-----------------------------------|------|-----------------------------------|------|-----------------------------------|------|-----------------|------|-----------------------------|------|-----------------------|
| <b>COUNTY</b>   | Total<br>Housing Units | 1-4 family<br>Units |      | Multifamily<br>Units |      | Owner-Occupied<br>Units (O-O) |      | O-O Units in<br>Low-income Tracts |      | O-O Units in<br>Mod-income Tracts |      | O-O Units in<br>Mid-income Tracts |      | O-O Units in<br>Upp-income Tracts |      | Rental<br>Units |      | Vacant/<br>Boarded-up Units |      | Medium<br>House Value |
|   |                        | #                   | %    | #                    | %    | #                             | %    | #                                 | %    | #                                 | %    | #                                 | %    | #                                 | %    | #               | %    | #                           | %    | \$                    |
| <b>KINGS</b>  | 930,866                | 456,744             | 49.1 | 474,122              | 50.9 | 238,290                       | 25.6 | 13,368                            | 5.6  | 77,659                            | 32.6 | 92,885                            | 39.0 | 54,378                            | 22.8 | 670,996         | 72.1 | 50,139                      | 5.4  | 235,737               |
| <b>QUEENS</b>   | 817,250                | 495,075             | 60.6 | 322,175              | 39.4 | 334,894                       | 41.0 | 1,005                             | 0.3  | 43,101                            | 12.9 | 162,122                           | 48.4 | 128,633                           | 38.4 | 462,179         | 56.6 | 34,586                      | 4.2  | 199,093               |
| <b>BRONX</b>  | 490,659                | 133,164             | 27.1 | 357,495              | 72.9 | 90,522                        | 18.4 | 11,370                            | 12.6 | 20,802                            | 23.0 | 33,285                            | 36.8 | 25,066                            | 27.7 | 391,918         | 79.9 | 27,447                      | 5.6  | 159,625               |
| <b>NEW YORK</b>   | 798,144                | 28,752              | 3.6  | 769,392              | 96.4 | 148,695                       | 18.6 | 3,881                             | 2.6  | 12,773                            | 8.6  | 7,108                             | 4.8  | 124,934                           | 84.0 | 616,053         | 77.2 | 59,500                      | 7.5  | 345,099               |
| <b>NASSAU</b>   | 458,151                | 409,201             | 89.3 | 48,950               | 10.7 | 359,257                       | 78.4 | 647                               | 0.2  | 16,993                            | 4.7  | 247,420                           | 68.9 | 94,197                            | 26.2 | 91,345          | 19.9 | 10,764                      | 2.3  | 278,789               |
| <b>SUFFOLK</b>  | 522,323                | 484,343             | 92.7 | 37,980               | 7.3  | 374,371                       | 71.7 | 936                               | 0.3  | 72,591                            | 19.4 | 237,988                           | 63.6 | 62,819                            | 16.8 | 101,107         | 19.4 | 53,024                      | 10.2 | 207,175               |
| <b>WESTCHESTER</b>  | 349,445                | 237,328             | 67.9 | 112,117              | 32.1 | 202,765                       | 58.0 | 507                               | 0.3  | 4,887                             | 2.4  | 20,824                            | 10.3 | 176,547                           | 87.1 | 140,169         | 40.1 | 12,303                      | 3.5  | 285,775               |
| <b>TOTAL A/A</b>  | 4,366,838              | 2,244,607           | 51.4 | 2,122,231            | 48.6 | 1,748,794                     | 40.0 | 31,713                            | 1.8  | 248,804                           | 14.2 | 801,632                           | 45.8 | 666,574                           | 38.1 | 2,473,767       | 56.6 | 247,763                     | 5.7  | 245,420               |

**CHART # 3**

| <p align="center"><b>FIRST CENTRAL SAVINGS BANK</b><br/> <b>2007 - BUSINESS DEMOGRAPHICS BY COUNTY</b></p> |                         |  |      |  |     |   |      |   |      |                                     |      |
|--|-------------------------|--|------|--|-----|---|------|---|------|-------------------------------------|------|
| COUNTY   | Number of<br>Businesses | Businesses with Rev.<br>of \$1 million or less |      | Businesses with Rev.<br>of more than \$1 million |     | Businesses with no<br>revenues reported |      | Businesses with less<br>than 50 employees |      | Operating from a<br>single location |      |
|  |                         | #  | %    | #  | %   | #                                       | %    | #   | %    | #                                   | %    |
| <b>KINGS</b>   | 131,882                 | 93,541   | 70.9 | 5,610  | 4.3 | 32,731                                  | 24.8 | 101,114                                   | 76.7 | 125,472                             | 95.1 |
| <b>QUEENS</b>  | 112,658                 | 80,891   | 71.8 | 5,509  | 4.9 | 26,258                                  | 23.3 | 88,505                                    | 78.6 | 106,051                             | 94.1 |
| <b>BRONX</b>   | 47,595                  | 34,300   | 72.1 | 1,931  | 4.1 | 11,364                                  | 23.9 | 37,321                                    | 78.4 | 44,565                              | 93.6 |
| <b>NEW YORK</b>  | 249,633                 | 162,992  | 65.3 | 23,386   | 9.4 | 63,255                                  | 25.3 | 191,601                                   | 76.8 | 223,275                             | 89.4 |
| <b>NASSAU</b>  | 132,977                 | 93,765   | 70.5 | 7,483  | 5.6 | 31,729                                  | 23.9 | 103,851                                   | 78.1 | 124,329                             | 93.5 |
| <b>SUFFOLK</b>   | 136,291                 | 96,740   | 71.0 | 7,820  | 5.7 | 31,731                                  | 23.3 | 107,847                                   | 79.1 | 126,929                             | 93.1 |
| <b>WESTCHESTER</b>   | 87,622                  | 61,967   | 70.7 | 4,911  | 5.6 | 20,744                                  | 23.7 | 69,214                                    | 79.0 | 80,881                              | 92.3 |
| <b>TOTAL A/A</b>   | 898,658                 | 624,196  | 69.5 | 56,650   | 6.3 | 217,812                                 | 24.2 | 699,453                                   | 77.8 | 831,502                             | 92.5 |

## PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

*The New York State Banking Department assesses an intermediate small bank's performance under the Lending and Community Development tests. The Lending test is evaluated according to the following criteria: (1) Loan-to-Deposit Ratio and other Lending-Related Activities; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans (4) Distribution by Borrower Characteristics and (5) Action Taken in Response to Written Complaints Regarding CRA. The Community Development test entails the review of: (1) Community Development Loans (2) Community Development Qualified Investments and (3) Community Development Services. These tests are conducted pursuant to Part 76.12 of the General Regulations of the Banking Board.*

The assessment period included calendar years 2005, 2006 and 2007. In 2005, FCSB changed its business strategy, offering warehouse loans instead of small business loans.<sup>1</sup> Consumer lending was not included in FCSB's previous evaluation. Examiners considered FCSB's HMDA-reportable, small business and consumer lending in evaluating factors (2), (3) and (4), as noted above. HMDA-reportable loans, the primary product, received more emphasis. FCSB did not actively originate 1-4 family mortgages on its own; it acquired these types of loans primarily from a mortgage broker and ceased dealing with the mortgage broker as of September 2007.

Data employed in this evaluation were derived from various sources. The demographic data cited in this report were obtained from the 2000 U.S. Census, while updated median family income ("MFI") figures were obtained from annual estimates prepared by the U. S. Department of Housing and Urban Development ("HUD"). In addition to specific loan information submitted by FCSB, aggregate data for small business and HMDA-reportable lending activity during the evaluation were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc.'s CRA Wiz®, an external vendor.

Based on its asset size, FCSB is an intermediate small bank and was not required to report small business lending data. Therefore, aggregate small business loan data discussed in this report was shown for reference only as it does not include FCSB's lending activity.

- **Loan-to-Deposit Ratio: "Satisfactory"**

FCSB's average LTD ratio is reasonable considering its size, financial condition and the credit needs of its assessment area.

| <b>Loan-to-Deposit Ratios</b> |              |              |              |              |              |              |              |              |              |              |              |              |               |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
|                               | 2005<br>(Q1) | 2005<br>(Q2) | 2005<br>(Q3) | 2005<br>(Q4) | 2006<br>(Q1) | 2006<br>(Q2) | 2006<br>(Q3) | 2006<br>(Q4) | 2007<br>(Q1) | 2007<br>(Q2) | 2007<br>(Q3) | 2007<br>(Q4) | Aver.*<br>LTD |
| Bank                          | 79.62        | 82.84        | 97.41        | 94.23        | 91.97        | 89.25        | 86.85        | 84.22        | 81.21        | 74.6         | 79.28        | 78.41        | 84.99         |
| Peer                          | 80.18        | 81.27        | 82.07        | 88.15        | 88.67        | 89.74        | 90.33        | 90.44        | 89.98        | 90.31        | 91.67        | 93.78        | 88.05         |

<sup>1</sup> FCSB engaged in short term lending with auto dealers using the notes as collateral until the loan was sold to a permanent investor.

As illustrated above, FCSB's average LTD ratio over the 12 calendar quarters since the prior evaluation was slightly below its national peer group. FCSB is in peer group 102, which includes all FDIC-insured savings banks with assets between \$300 million and \$1 billion. FCSB's LTD ratio improved slightly since the prior evaluation period, at which time the bank posted an average LTD ratio of 82.6%.<sup>2</sup>

- **Assessment Area Concentration: "Satisfactory"**

FCSB originated a majority of its HMDA-reportable loans and a substantial majority of its consumer and small business loans within its assessment area.

| <b>Distribution of Loans Inside and Outside of the Assessment Area</b> |                        |             |                |             |              |  |             |                |             |                |  |
|--|------------------------|-------------|----------------|-------------|--------------|--|-------------|----------------|-------------|----------------|--|
| <b>Loan Type</b>   | <b>Number of Loans</b> |             |                |             |              | <b>Loans in Dollars (in thousands)</b> |             |                |             |                |  |
|  | <b>Inside</b>          |             | <b>Outside</b> |             | <b>Total</b> | <b>Inside</b>                          |             | <b>Outside</b> |             | <b>Total</b>   |  |
|  | <b>#</b>               | <b>%</b>    | <b>#</b>       | <b>%</b>    |              | <b>\$</b>                              | <b>%</b>    | <b>\$</b>      | <b>%</b>    |                |  |
| HMDA-Reportable  |                        |             |                |             |              |  |             |                |             |                |  |
| 2006   | 44                     | 60.3        | 29             | 39.7        | 73           | 26,166                                 | 65.9        | 13,541         | 34.1        | 39,707         |  |
| 2007   | 37                     | 74.0        | 13             | 26.0        | 50           | 32,420                                 | 82.5        | 6,885          | 17.5        | 39,305         |  |
| <b>Subtotal</b>  | <b>81</b>              | <b>65.9</b> | <b>42</b>      | <b>34.1</b> | <b>123</b>   | <b>58,586</b>                          | <b>74.1</b> | <b>20,426</b>  | <b>25.9</b> | <b>79,012</b>  |  |
| Small Business   |                        |             |                |             |              |  |             |                |             |                |  |
| 2006   | 32                     | 100.0       | 0              | 0.0         | 32           | 4,295                                  | 100.0       | 0              | 0.0         | 4,295          |  |
| 2007   | 46                     | 95.8        | 2              | 27.1        | 48           | 14,197                                 | 98.6        | 200            | 1.4         | 14,397         |  |
| <b>Subtotal</b>  | <b>78</b>              | <b>97.5</b> | <b>18</b>      | <b>22.5</b> | <b>80</b>    | <b>18,492</b>                          | <b>98.9</b> | <b>200</b>     | <b>1.1</b>  | <b>18,693</b>  |  |
| Consumer   |                        |             |                |             |              |  |             |                |             |                |  |
| 2006   | 29                     | 96.7        | 1              | 16.7        | 30           | 12,454                                 | 80.6        | 3,000          | 19.4        | 15,454         |  |
| 2007   | 28                     | 93.3        | 2              | 23.3        | 30           | 3,977                                  | 49.9        | 4,000          | 50.1        | 7,977          |  |
| <b>Subtotal</b>  | <b>57</b>              | <b>95.0</b> | <b>12</b>      | <b>20.0</b> | <b>60</b>    | <b>16,431</b>                          | <b>53.8</b> | <b>10,818</b>  | <b>46.2</b> | <b>23,431</b>  |  |
| <b>Total</b>   | <b>216</b>             | <b>82.1</b> | <b>72</b>      | <b>27.4</b> | <b>263</b>   | <b>93,509</b>                          | <b>77.2</b> | <b>31,444</b>  | <b>26.0</b> | <b>121,136</b> |  |

### HMDA-Reportable Loans

FCSB originated a majority of its HMDA-reportable loans within its assessment area. During the evaluation period, FCSB originated 65.9% of its HMDA-reportable loans inside its assessment area.

Of the total number of HMDA-reportable loans originated by FCSB in its assessment area, one- to four-family residential mortgage loans represented 24.7% and multi-family mortgage loans accounted for 58.0%.

### Small Business Loans

FCSB originated a substantial majority of its small business loans within its assessment

<sup>2</sup> These ratios were calculated from data contained in the bank's Uniform Bank Performance Report ("UBPR") as prepared by the Federal Deposit Insurance Corporation ("FDIC").

area. Of the 80 small business loans originated by FCSB during the evaluation period, 97.5% were inside its assessment area.

### Consumer Loans

During the current evaluation period, FCSB originated a substantial majority of its consumer loans within its assessment area. FCSB extended 95% of its consumer loans inside its assessment area.

- **Geographic Distribution of Loans: “Satisfactory”**

The overall geographic distribution of FCSB’s HMDA-reportable, small business and consumer loans reflects a reasonable dispersion among census tracts of different income levels. The percentages cited below were calculated based solely on the number and dollar volume of loans originated by FCSB within its assessment area.

### HMDA-Reportable Loans

In 2006, FCSB did not originate any HMDA-reportable loans in low-income areas. However, 36.4% of its total HMDA-reportable loans were in moderate-income areas, which compares favorably with the aggregate’s percentage of originations - 21.9%. In 2007, FCSB’s level of performance improved significantly with 10.8% of its HMDA-reportable loans extended in low-income areas and 37.8% in moderate-income areas. These ratios were well above the aggregate’s level of lending in LMI areas. In addition, FCSB’s LMI penetration rate compares favorably with the owner-occupied housing demographic rate of 16.04% in LMI census tracts. Considering the limited lending opportunities and the number of entities competing in the assessment area, FCSB’s lending performance in LMI census tracts in the assessment area is adequate.

The following provides a summary of FCSB’s HMDA-reportable lending distribution during the evaluation period:

| Distribution of HMDA-reportable Loans by Geographic Income Level* |           |              |               |              |                |              |                   |              |
|---|-----------|--------------|---------------|--------------|----------------|--------------|-------------------|--------------|
| Geographic<br>Income Level  | 2006      |              |               |              |                |              |                   |              |
|   | Bank      |              |               |              | Aggregate      |              |                   |              |
|   | #         | %            | \$000         | %            | #              | %            | \$000             | %            |
| Low   | 0         | 0.0          | 0.0           | 0.0          | 11,033         | 4.1          | 4,145,024         | 4.5          |
| Moderate  | 16        | 36.4         | 8,470         | 32.4         | 59,364         | 21.9         | 18,249,623        | 19.9         |
| Middle  | 10        | 22.7         | 6,800         | 26.0         | 126,577        | 46.6         | 36,890,033        | 40.2         |
| Upper   | 18        | 40.9         | 10,896        | 41.6         | 74,311         | 27.4         | 32,523,104        | 35.4         |
| Not Applicable  | 0         | 0.0          | 0             | 0.0          | 102            | 0.0          | 61,627            | 0.1          |
| <b>Total</b>  | <b>44</b> | <b>100.0</b> | <b>26,166</b> | <b>100.0</b> | <b>271,387</b> | <b>100.0</b> | <b>91,869,411</b> | <b>100.0</b> |
| Geographic<br>Income Level  | 2007      |              |               |              |                |              |                   |              |
|   | Bank      |              |               |              | Aggregate      |              |                   |              |
|   | #         | %            | \$000         | %            | #              | %            | \$000             | %            |
| Low   | 4         | 10.8         | 1,464         | 4.5          | 6,959          | 3.5          | 3,560,230         | 4.6          |
| Moderate  | 14        | 37.8         | 9,069         | 28.0         | 38,743         | 19.3         | 13,844,571        | 18.0         |
| Middle  | 8         | 21.6         | 8,189         | 25.3         | 89,692         | 44.8         | 27,896,311        | 36.2         |
| Upper   | 11        | 29.7         | 13,698        | 42.3         | 64,747         | 32.3         | 31,627,716        | 41.1         |
| Not Applicable  | 0         | 0.0          | 0             | 0.0          | 95             | 0.0          | 98,583            | 0.1          |
| <b>Total</b>  | <b>37</b> | <b>100.0</b> | <b>32,420</b> | <b>100.0</b> | <b>200,236</b> | <b>100.0</b> | <b>77,027,411</b> | <b>100.0</b> |

\*Geography income level is based upon 2000 Census data on median family income figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120% and upper-income is at least 120%.

### Multi-family HMDA-Reportable Loans

The following depicts the geographic distribution of FCSB's multi-family HMDA-reportable loans compared with the aggregate's loans:

| Geographic Distribution of Multifamily Loans |           |              |           |              |                  |              |              |              |
|--|-----------|--------------|-----------|--------------|------------------|--------------|--------------|--------------|
| Geography<br>Income<br>Level                 | Bank      |              | Bank      |              | Market Aggregate |              |              |              |
|  | 2006      |              | 2007      |              | 2006             |              | 2007         |              |
|  | #         | %            | #         | %            | #                | %            | #            | %            |
| Low  | 0         | 0.0          | 4         | 17.4         | 681              | 19.4         | 584          | 17.9         |
| Moderate                                     | 12        | 50.0         | 11        | 47.8         | 1,386            | 39.4         | 1,292        | 39.6         |
| Middle                                       | 7         | 29.2         | 4         | 17.4         | 679              | 19.3         | 637          | 19.5         |
| Upper  | 5         | 20.8         | 4         | 17.4         | 763              | 21.7         | 752          | 23.0         |
| NA   | 0         | 0.0          | 0         | 0.0          | 5                | 0.1          | 1            | 0.0          |
| <b>Total</b>                                 | <b>24</b> | <b>100.0</b> | <b>23</b> | <b>100.0</b> | <b>3,514</b>     | <b>100.0</b> | <b>3,266</b> | <b>100.0</b> |

As illustrated in the chart above, FCSB did not extend any multi-family loans in low-income areas in 2006, but it made 50% of its multi-family loans in LMI tracts compared with the aggregate's 58.8%. However, in 2007, FCSB extended 65.2% of its multi-family loans in LMI areas compared to the 57.5% made by the market aggregate, Given the percentage of LMI families which reside in the LMI census tracts within its assessment area, FCSB's

level of performance was reasonable.

1-4 Family HMDA-Reportable Loans

The following depicts the geographic distribution of FCSB’s 1-4 family HMDA-reportable loans compared with the market’s aggregate:

| <b>Geographic Distribution of 1-4 Family Residential Loans</b> |             |              |             |              |                         |              |                |              |
|--|-------------|--------------|-------------|--------------|-------------------------|--------------|----------------|--------------|
| Geography<br>Income<br>Level                                   | <b>Bank</b> |              | <b>Bank</b> |              | <b>Market Aggregate</b> |              |                |              |
|  | 2006        |              | 2007        |              | 2006                    |              | 2007           |              |
|  | #           | %            | #           | %            | #                       | %            | #              | %            |
| Low  | 0           | 0.0          | 0           | 0.0          | 9,749                   | 3.4          | 6,375          | 3.2          |
| Moderate   | 3           | 20.0         | 1           | 20.0         | 60,564                  | 21.0         | 37,373         | 19.0         |
| Middle   | 1           | 6.7          | 2           | 40.0         | 134,323                 | 46.6         | 89,028         | 45.2         |
| Upper  | 11          | 34.3         | 2           | 40.0         | 83,179                  | 28.9         | 63,986         | 32.5         |
| N/A  | 0           | 0.0          | 0           | 0.0          | 184                     | 0.1          | 94             | 0.0          |
| <b>Total</b>   | <b>15</b>   | <b>100.0</b> | <b>5</b>    | <b>100.0</b> | <b>287,999</b>          | <b>100.0</b> | <b>196,856</b> | <b>100.0</b> |

The chart above indicates that the percentage of 1-4 family HMDA-reportable loans that FCSB extended in the LMI tracts was slightly below the market aggregate. However, in light of the percentage (16.04%) of owner-occupied housing units in the LMI geographies of its assessment area, FCSB’s performance level was reasonable.

Small Business Loans

FCSB’s geographic distribution of small business loans reflects a reasonable dispersion among census tracts of different income levels.

During the evaluation period, FCSB extended 25.6% by number and 24.9% by dollar amount of its small business loans in LMI geographies. This level of performance compares favorably with the aggregate’s lending level and is consistent with the percentages (24.3%) of businesses located in LMI areas.

The following chart provides a summary of FCSB small business lending distribution during the current evaluation period:

| Distribution of Small Business Loans by Geographic Income Level* |           |              |               |              |                |              |                   |              |
|--|-----------|--------------|---------------|--------------|----------------|--------------|-------------------|--------------|
| Geographic<br>Income Level                                       | 2006      |              |               |              |                |              |                   |              |
|  | Bank      |              |               |              | Aggregate      |              |                   |              |
|  | #         | %            | \$000         | %            | #              | %            | \$000             | %            |
| Low  | 1         | 3.1          | 350           | 8.1          | 24,485         | 3.9          | 496,263           | 4.4          |
| Moderate   | 9         | 28.1         | 825           | 19.2         | 99,226         | 15.7         | 1,806,114         | 16.1         |
| Middle   | 15        | 46.9         | 1,645         | 38.3         | 226,224        | 35.8         | 3,803,758         | 34.0         |
| Upper  | 7         | 21.9         | 1,475         | 34.3         | 277,997        | 44.0         | 4,974,895         | 44.4         |
| Not Applicable   | 0         | 0.0          | 0             | 0.0          | 3,814          | 0.6          | 117,582           | 1.0          |
| <b>Total</b>   | <b>32</b> | <b>100.0</b> | <b>4,295</b>  | <b>100.0</b> | <b>631,746</b> | <b>100.0</b> | <b>11,198,612</b> | <b>100.0</b> |
| Geographic<br>Income Level                                       | 2007      |              |               |              |                |              |                   |              |
|  | Bank      |              |               |              | Aggregate      |              |                   |              |
|  | #         | %            | \$000         | %            | #              | %            | \$000             | %            |
| Low  | 4         | 8.7          | 2,800         | 19.7         | 27,555         | 4.2          | 526,616           | 4.1          |
| Moderate   | 6         | 13.0         | 625           | 4.4          | 109,319        | 16.5         | 2,029,701         | 16.0         |
| Middle   | 19        | 41.3         | 5,387         | 37.9         | 237,735        | 36.0         | 4,279,622         | 33.7         |
| Upper  | 15        | 32.6         | 5,185         | 36.5         | 282,786        | 42.8         | 5,735,164         | 45.1         |
| Not Applicable   | 2         | 4.3          | 200           | 0.0          | 3,766          | 0.6          | 144,382           | 1.1          |
| <b>Total</b>   | <b>46</b> | <b>100.0</b> | <b>14,197</b> | <b>98.6</b>  | <b>661,161</b> | <b>100.0</b> | <b>12,715,485</b> | <b>100.0</b> |

\*Geography income level is based upon 2000 Census data on median family income figure for the MSA of the Mortgaged property. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120% and upper-income is at least 120%.

### Consumer Loans

FCSB's geographic distribution of consumer loans reflects a reasonable penetration among census tracts of different income levels. FCSB's dispersion of consumer loans in LMI tracts in 2006 increased significantly in 2007. Of the total households in the assessment area, 55.6% reside in LMI census tracts, of which 16 % are below poverty level.

The following chart depicts the distribution of FCSB's consumer loans during the current evaluation period:



| <b>Distribution of Consumer Loans by Geographic Income Level*</b> |             |              |               |              |
|---|-------------|--------------|---------------|--------------|
| <b>Geographic Income Level</b>                                    | <b>2006</b> |              |               |              |
|   | <b>Bank</b> |              |               |              |
|   | <b>#</b>    | <b>%</b>     | <b>\$000</b>  | <b>%</b>     |
| Low   | 0           | 0.0          | 0             | 0.0          |
| Moderate  | 5           | 17.2         | 231           | 1.9          |
| Middle  | 16          | 55.2         | 9,162         | 73.6         |
| Upper   | 8           | 27.6         | 3,061         | 24.6         |
| Not Applicable  | 0           | 0.0          | 0             | 0.0          |
| <b>Total</b>  | <b>29</b>   | <b>100.0</b> | <b>12,454</b> | <b>100.0</b> |
| <b>Geographic Income Level</b>                                    | <b>2007</b> |              |               |              |
|   | <b>Bank</b> |              |               |              |
| <b>Income Level</b>   | <b>#</b>    | <b>%</b>     | <b>\$000</b>  | <b>%</b>     |
| Low   | 1           | 3.6          | 400           | 10.1         |
| Moderate  | 10          | 35.7         | 315           | 7.9          |
| Middle  | 6           | 21.4         | 593           | 14.9         |
| Upper   | 11          | 39.3         | 2,669         | 67.1         |
| Not Applicable  | 0           | 0.0          | 0             | 0.0          |
| <b>Total</b>  | <b>28</b>   | <b>100.0</b> | <b>3,977</b>  | <b>100.0</b> |

\*Geography income level is based upon 2000 Census data on median family income figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120% and upper-income is at least 120%.

- **Distribution by Borrower Characteristics: “Satisfactory”**

The distribution of FCSB’s loans based on borrower characteristics of its small business loans is reasonable. HMDA-reportable loans based on borrower characteristics were not rated as majority of these loans were multi-family loans, where income information was not reported.

Small Business Lending

FCSB’s small business lending distribution based on borrower characteristics reflects a reasonable penetration among businesses of different revenue sizes. During the evaluation period, FCSB extended over 90% of its small business loans to businesses with revenue of \$1 million or less. FCSB’s performance level was significantly above the aggregate level. Given the assessment area’s business demographic, FCSB’s performance was reasonable as 69.5% of the businesses in the assessment area reported revenue of \$1 million or less.

The following chart depicts the distribution of FCSB’s small business loans during the current evaluation period:

| Distribution of Small Business Loans by Business Revenue Size |           |              |               |              |                |              |                   |              |
|---|-----------|--------------|---------------|--------------|----------------|--------------|-------------------|--------------|
| Revenue Size  | 2006      |              |               |              |                |              |                   |              |
|   | Bank      |              |               |              | Aggregate      |              |                   |              |
|   | #         | %            | \$000         | %            | #              | %            | \$000             | %            |
| \$1million or less  | 31        | 96.9         | 3,595         | 83.7         | 187,059        | 29.6         | 4,523,023         | 40.4         |
| Over \$1 million  | 0         | 0.0          | 0             | 0.0          | 440,873        | 69.8         | 6,558,007         | 58.6         |
| No Revenue Info   | 1         | 3.1          | 700           | 16.3         | 3,814          | 0.6          | 117,582           | 1.0          |
| <b>Total</b>  | <b>32</b> | <b>100.0</b> | <b>4,295</b>  | <b>100.0</b> | <b>631,746</b> | <b>100.0</b> | <b>11,198,612</b> | <b>100.0</b> |
| Revenue Size  | 2007      |              |               |              |                |              |                   |              |
|   | Bank      |              |               |              | Aggregate      |              |                   |              |
|   | #         | %            | \$000         | %            | #              | %            | \$000             | %            |
| \$1million or less  | 40        | 87.0         | 8,147         | 57.4         | 206,415        | 31.2         | 4,909,151         | 38.6         |
| Over \$1 million  | 0         | 0.0          | 0             | 0.0          | 450,980        | 68.2         | 7,661,952         | 60.3         |
| No Revenue Info   | 6         | 13.0         | 6,050         | 42.6         | 3,766          | 0.6          | 144,382           | 1.1          |
| <b>Total</b>  | <b>46</b> | <b>100.0</b> | <b>14,197</b> | <b>100.0</b> | <b>661,161</b> | <b>100.0</b> | <b>12,715,485</b> | <b>100.0</b> |

- **Action Taken In Response to Written Complaints With Respect to CRA**

Since the latest CRA evaluation as of December 31, 2004, neither FCSB nor the New York State Banking Department has received any written complaints regarding FCSB's CRA performance.

## II. Community Development Test: "Satisfactory"

FCSB demonstrates an adequate responsiveness to the community development needs of its assessment area, given its capacity and the availability of opportunities for community development in its assessment area.

### Community Development Lending:

FCSB makes an adequate level of community development loans in its assessment area. During the evaluation period, FCSB's community development loans totaled \$4.4 million, which were approximately .7% of its total assets as of December 31, 2007. These loans were HMDA-reportable multi-family loans extended to finance affordable housing projects in LMI geographies. The subject properties were registered under the New York State Division of Housing and Community Renewal's Rent Control and Stabilization Program.

### Qualified Investments and Grants:

FCSB extended grants totaling \$2,200 to various community development organizations during the current evaluation period. The following are examples of some of these organizations:

- Interfaith Nutrition Network ("INN"): This is a not-for-profit organization. Its mission is to provide food, shelter and support services for those who seek its help. INN provides

services in a moderate-income area of Long Island City, in New York.

- Greater Ridgewood Restoration Corporation (“GRRC”): This is a non-profit organization founded in 1975, dedicated to preserving and upgrading the housing stock of Ridgewood and its neighboring communities in Queens. Its programs were designed to provide overall community development improvements to raise the quality of life and maintain stability, and to assist tenants in remaining in their homes. GRRC provides its services in a moderate-income area of Ridgewood in New York.
- Community Development Corporation of Long Island (“CDC”): This is a private not-for-profit, housing, community and economic development corporation. It has nearly four decades of experience serving LMI families and individuals. CDC’s program addresses the issues of affordable housing, community and economic development.

#### Community Development Services:

FCSB demonstrates a high level of responsiveness to community development needs and services. FCSB’s president and chief executive officer participated actively in various organizations through serving on boards and committees of organizations that promote community development initiatives.

The following are examples of some of the community development organizations in which FCSB officials actively participated during the current evaluation period:

- Glen Cove Chamber of Commerce: FCSB’s senior assistant vice president is the treasurer of this organization. He provides an ongoing financial technical expertise for this organization. The organization’s mission includes improving the business climate and businesses of Glen Cove.
- Check Cashing Seminar: FCSB’s executive management and staff offered their financial technical expertise at a compliance seminar held in 2006 and 2007 for commercial check cashers.

- **Discrimination and other Illegal Practices**

**Any practices intended to discourage applications for types of credit set forth in the banking institution’s CRA Public File.**

Examiners noted no practices that were intended to discourage applications for the types of credit offered by FCSB.

#### **Evidence of prohibited discriminatory or other illegal credit practices.**

The most recent regulatory compliance and fair lending examinations conducted concurrently with this evaluation indicated satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other

illegal credit practices were noted.

- **Process Factors**

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

FCSB ascertains the credit needs of the community through the interaction of its officers and directors with various community groups such as the Astoria Civic Association, the Kiwanis Club and the Uniphore Inc. FCSB's staff makes frequent contact with local businesses in the assessment area to discuss various FCSB's products.

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

FCSB advertises its products and credit services in local newspapers, such as the Queens Courier, Gazette and on a Greek television station.

**The extent of participation by the banking institution's board of directors/trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.**

The board discusses matters regarding CRA policies during its monthly meeting. The board minutes indicate that it is the policy of FCSB to provide for and work to satisfy the credit needs of its entire community.

- **Other Factors**

**Other factors that in the judgment of the Superintendent and Banking Board bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.**

None noted.

## GLOSSARY

### Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

### Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3), above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women’s centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

A “community development service” is defined as a service that has as its *primary purpose* community development, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
  - ❖ Serving on a loan review committee;
  - ❖ Developing loan application and underwriting standards;
  - ❖ Developing loan processing systems;
  - ❖ Developing secondary market vehicles or programs;

- ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
- ❖ Furnishing financial services training for staff and management;
- ❖ Contributing accounting/bookkeeping services; and
- ❖ Assisting in fund raising, including soliciting or arranging investments.

### **Home Mortgage Disclosure Act (“HMDA”)**

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

### **Loans to Small Businesses**

Small business loans to businesses with gross annual revenues of \$1 million or less.

### **Low or Moderate Income (“LMI”) Geographies**

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

### **LMI Borrowers**

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

### **LMI Individuals/Persons**

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all

instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

**LMI Penetration Rate**

A number that depicts the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans to LMI geographies or borrowers.

**Small Business Loans**

Loans to businesses with original amounts of \$1 million or less.