



**NEW YORK STATE  
DEPARTMENT OF FINANCIAL SERVICES  
FINANCIAL FRAUD AND CONSUMER PROTECTION DIVISION**

One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** *December 31, 2010*

**Institution:** The Berkshire Bank  
4 East 39<sup>th</sup> Street  
New York, NY 10016

**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 Department of Financial Services concerning the safety and soundness of this financial institution.

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## TABLE OF CONTENTS

	Section
General Information .....	1
Overview of Institution's Performance .....	2
Performance Context .....	3
Institution Profile	
Assessment Area	
Demographic & Economic Data	
Community Information	
Performance Standards and Assessment Factors .....	4
Lending Test	
Loan-to-Deposit Ratio and Other Lending-Related Activities	
Assessment Area Concentration	
Distribution by Borrower Characteristics	
Geographic Distribution of Loans	
Action Taken in Response to Written Complaints With Respect to CRA	
Community Development Test	
Community Development Loans	
Community Development Investments	
Community Development Services	
Additional Factors	
Glossary .....	5

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## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of The Berkshire Bank (“TBB”) 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, 2010.

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 small banking institutions are primarily based on a review of performance tests and standards described in Section 76.3 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**

TBB's performance was evaluated according to the intermediate small bank performance criteria. The assessment period included calendar years 2008, 2009 and 2010. TBB is rated "2," indicating a "Satisfactory" record of helping to meet community credit needs. TBB received a rating of "2," reflecting a "Satisfactory" record of helping to meet community credit needs at its prior Performance Evaluation conducted by the New York State Banking Department as of December 31, 2007.

This rating is based on the following factors:

- **Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:** "Satisfactory"

TBB's average LTD ratio was marginally reasonable considering its size, business strategy, financial condition, aggregate and peer group activity. TBB's average LTD ratio for the 12 consecutive quarters since the prior evaluation was 58.0%, which improved from 46.6% at the prior evaluation period, but significantly below the peer group's average of 86.4%.

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

During the evaluation period, TBB originated small business loans totaling 81.1% by number, and 61.7% by dollar value of its loans within the assessment area. This record of small business lending, within its assessment area, is considered reasonable.

- **Distribution by Borrowers Characteristics:** "Outstanding"

The distribution of loans based on borrower characteristics demonstrated a high rate of lending among businesses of different revenue sizes. In each of the three years in the evaluation period, TBB has performed better than the aggregate level. TBB extended an average of 55.8% of its small business loans by number, and 50.1% by dollar value of its loans to businesses with annual revenues of one million dollar or less. These two penetration ratios compared much more favorably to the average aggregate level of 18.2% by number and 24.5% by dollar value during the same period.

- **Geographic Distribution of Loans:** "Satisfactory"

The distribution of small business loans based on the income level of the geography of the business demonstrated a reasonable rate of lending. TBB's lending in LMI geographies outperformed the aggregate in 2008 but fell below the aggregate in 2009 and 2010. Overall, during the evaluation period, TBB extended 26.7% by number and 26.2% by dollar value of its small business loans in LMI geographies.

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The ratios were comparable to the aggregate's lending in LMI geographies in 2008, 2009 and 2010, respectively.

**Community Development Test: "Satisfactory"**

- **Community Development Loans: "Satisfactory"**

During the evaluation period, TBB originated \$15.5 million in new community development loans, and had \$3.5 million outstanding from prior evaluation periods. The amount of community development lending was considered adequate, over the course of the evaluation period.

- **Community Development Investments: "Outstanding"**

During the evaluation period, TBB made \$1.9 million in new community development investments, and had \$15.5 million outstanding from prior evaluation periods. TBB's level of community development investments over the course of the evaluation period was considered to be excellent.

- **Community Development Services: "Satisfactory"**

TBB demonstrated an adequate level of community development services over the course of the evaluation period. TBB's senior management and officers provided their banking and financial expertise to local community development organizations.

*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:

Chartered in 1989, TBB is a commercial bank headquartered in Manhattan, New York. It is a wholly owned subsidiary of Greater American Finance Group, Inc., which in turn is a wholly-owned subsidiary of the Berkshire Bancorp Inc. (Bancorp), a publicly traded one-bank holding company.

As per the Consolidated Report of Condition (“Call Report”) as of December 31, 2010, filed with the Federal Deposit Insurance Corporation (“FDIC”), TBB reported total assets of \$818.7 million, of which \$350.2 million were net loans and lease finance receivables. It also reported total deposits of \$670.4 million, resulting in a loan-to-deposit ratio of 52.2%. According to the latest available comparative deposit data as of June 30, 2010, TBB obtained a market share of 0.12%, or \$663.6 million in a market of \$544.6 billion inside its market, ranking it 38th among 120 deposit-taking institutions in New York, Bronx, Kings, Orange and Sullivan counties.

The following is a summary of TBB’s loan portfolio, based on Schedule RC-C of the bank’s Call Reports as of December 31, Year 2008, December 31, 2009 and December 31, Year 2010, respectively:

Loan Type	2008		2009		2010	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	140,150	30.0	131,013	30.4	114,594	31.2
Commercial & Industrial Loans	44,392	9.5	31,549	7.3	10,498	2.9
Commercial Mortgage Loans	195,882	41.9	189,139	43.8	193,500	52.7
Loans to depository institutions	1,606	0.3				
Multifamily Mortgages	4,031	0.9	7,432	1.7	5,865	1.6
Consumer Loans	305	0.1	366	0.1	453	0.1
Construction Loans	58,949	12.6	54,184	12.6	33,167	9.0
Obligations of States & Municipalities		0.0		0.0	0	0.0
Other Loans	155	0.0	29	0.0	342	0.1
Lease financing receivables	22,420	4.8	17,639	4.1	8,823	2.4
<b>Total Gross Loans</b>	<b>467,890</b>	<b>100</b>	<b>431,351</b>	<b>100</b>	<b>367,242</b>	<b>100</b>

As illustrated in the above chart, TBB is primarily a commercial lender. According to the call report filed as of December 31, 2010, commercial & industrial loans and commercial mortgages loans totaled \$204.0 million, and comprised 55.6% of the loan portfolio. The one-to-four family residential mortgage loans represented 31.2% of the overall loan portfolio but did not represent a significant portion of new originations during the evaluation period. Over the three-year evaluation period, TBB originated 17 one-to-four family mortgage loans totaling \$8.3 million within its assessment area.

TBB operates 11 full service branches, and a limited purpose branch in Goshen,

New York. The limited purpose branch was opened primarily to serve the residents of the Glen Arden Retirement community. Of the full service branches, three are located in New York County, four in Kings County, two in Orange County, one in Sullivan County and one in Bergen County, New Jersey. Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of 21 machines, including one each at eleven full service branches and ten off-site, non-deposit taking ATMs at various remote locations within its assessment area. The limited purpose branch in Goshen, New York does not have an ATM machine.

*There are no known financial or legal impediments that adversely impacted TBB’s ability to meet the credit needs of its community.*

**Assessment Area:**

TBB’s assessment area in New York State comprised of five counties<sup>1</sup>, namely Bronx, New York, and Kings Counties in the New York City Region and Orange County in their entirety; and the southeastern portion of Sullivan County. It also operates a single branch location in Teaneck, Bergen County, New Jersey.

There are 1,511 census tracts in the area, of which 316 are low-income, 469 are moderate-income, 366 are middle-income, 322 are upper-income and 38 are tracts with no income indicated.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
New York	9	60	59	24	144	296	40.2
Kings	15	119	297	235	117	783	53.1
Bronx	14	132	98	65	46	355	64.8
Orange	0	5	14	35	13	67	28.4
Sullivan*	0	0	1	7	2	10	10.0
<b>Total</b>	<b>38</b>	<b>316</b>	<b>469</b>	<b>366</b>	<b>322</b>	<b>1,511</b>	<b>52.0</b>

\*Partial county

*The assessment area appears reasonable based upon the location of TBB’s offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.*

**Demographic & Economic Data**

The assessment area had a population of 5.7 million during the examination period. About 11.3% of the population was over the age of 65 and 22.3% was under the age of 16.

<sup>1</sup> While these areas are not contiguous and are technically 2 separate assessment areas, they are treated as one assessment area for this evaluation.

Of the 1.3 million families in the assessment area, 34.7% were low-income, 16.9% were moderate-income, 16.2% were middle-income and 32.2% were upper-income families. There were 2.2 million households in the assessment area, of which 21.8% had income below the poverty level and 8.7% were on public assistance.

The MSA median family income within the assessment area was \$49.9 thousand. The U.S. Department of Housing and Urban Development (“HUD”) estimated median family income for the area was \$66.3 thousand in 2010.

There were 2.36 million housing units within the assessment area, of which 31.2% were one- to-four family units, and 68.5% were multifamily units. Twenty four percent of the area’s housing units were owner-occupied, while 72.9% were rental units. Of the 563.2 thousand owner-occupied housing units, 26.7% were in LMI census tracts while 73.3% were in middle- and upper-income census tracts. The median age of the housing stock was 60 years and the median home value in the assessment area was \$251 thousand.

There were 401,381 non-farm businesses in the assessment area. Of these, 73.6% were businesses with reported revenues of less than or equal to \$1 million, 5.6% reported revenues of more than \$1 million and 20.8% did not report their revenues. Of all the non-farm businesses in the assessment area, 83.2% were businesses with less than fifty employees while 91.8% operated from a single location. The largest industries in the area were services (46.9%), followed by retail trade (16.5%) and finance, insurance and real estate (10.0%), and the rest of the businesses in the assessment area were not classified (9.0%).

Statistics published by the New York State Department of Labor showed that the average unemployment rate for New York State rose from 5.3% in 2008 to 8.4% in 2009 and 8.6% in 2010, respectively. The same upward trend occurred in Bronx, Kings, Orange, and Sullivan Counties. In New York County, the unemployment rate rose significantly from 4.7% to 8.4% and then dropped slightly from 8.4% in 2009 to 8.0% in 2010. These unemployment rates are tied to the economic recession nationwide.

<b>Assessment Area Unemployment Rate</b>						
	Statewide	Bronx	Kings	New York	Orange	Sullivan*
2008	5.3	7.3	5.8	4.7	5.4	6.5
2009	8.4	11.9	9.9	8.4	8.0	8.9
2010	8.6	12.8	10.2	8.0	8.3	9.2

\*Partial County

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## **Community Information**

Two community contacts were interviewed to gather additional information on the credit needs of TBB's assessment area: a representative of a local government agency in New York City serving small businesses and a representative of a business association in Orange County. The New York City representative identified financial education for business owners as a primary community credit need. This representative also identified the need to access capital through financial education, technical assistance, and referrals. This organization's involvement with financial institutions have been positive but the representative stated that some financial institutions consider certain businesses, such as small construction companies and restaurants, to be too risky to lend to in the current economic environment, making it more difficult for these types of small businesses to get credit. The representative also said banks have recently reduced their credit lines.

The second organization works with financial institutions and other organizations to foster business growth in Orange County. The representative of this organization identified grants and financial education as credit needs for organizations helping new small businesses; particularly the area has seen a number of new start ups since 2009. For more established businesses, the representative noted that local businesses need lines of credit for cash flow to foster growth.

TBB was not mentioned in a negative context by the two organizations interviewed.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*TBB was evaluated under the intermediate small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Banking Board. TBB's performance was evaluated according to the intermediate small bank performance criteria, which consists of the lending test and the community development test. The lending test includes*

- 1. Loan-to-deposit ratio and other lending-related activities;*
- 2. Assessment area concentration;*
- 3. Distribution by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA*

*The community development test includes:*

- Community development lending;*
- Community development investments;*
- Community development services;*
- Innovative or complex practices; and*
- Responsiveness to community development needs*

*The following factors were also considered in assessing the bank's record of performance:*

- 1. Extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Any practices intended to discourage credit applications,*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. Record of opening and closing offices and providing services at offices; and*
- 5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs*

*Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.*

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the FDIC. Aggregate lending data was obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report was derived from the 2000 U.S. Census and HUD. Business demographic data used in this report is based on Dun & Bradstreet reports which are updated annually. Unemployment data was obtained from the New York State Department of Labor. Some non-specific bank data is only available on a

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county-wide basis, and is used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2008, 2009 and 2010.

Examiners considered TBB's small business loans in evaluating factors (2), (3) and (4) of the lending test as noted above.

Small business data is shown for comparative purposes. TBB is not required to report this data. As such TBB is not included in the aggregate data. As TBB did not make any small farm loans, all analyses was based on small business lending only. In addition, during the evaluation period, TBB made limited amount of one-to-four family residential lending (17 by loan count and \$8.3 million by dollar amount over the three year evaluation period). Therefore, the one-to-four family mortgage lending was not evaluated in this performance evaluation.

TBB received a rating of "2", reflecting a "Satisfactory" record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York State Banking Department as of December 31, 2007.

**Current CRA Rating: "Satisfactory"**

**Lending Test: "Satisfactory"**

TBB's lending activities were reasonable in light of aggregate and peer group activity and demographics.

**Loan-to-Deposit Ratio and other Lending-Related Activities: "Satisfactory"**

TBB's average LTD ratio was marginally reasonable considering its size, business strategy, financial condition, aggregate and peer group activity.

TBB's average LTD ratio for the 12 consecutive quarters since the prior evaluation was 58.0%. While significantly below the peer group's average of 86.4%, the current LTD ratio improved from 46.6% at the prior evaluation period.

The chart below shows TBB's LTD ratios in comparison with the peer group's ratios for the 12 quarters since the prior evaluation.

<b>Loan-to-Deposit Ratios</b>													
	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	Avg.
Bank	53.4	55.2	59.8	62.8	64.4	64.8	62.5	58.6	54.7	54.4	53.0	52.2	58.0
Peer	94.6	96.7	95.9	89.3	86.8	85.9	84.7	82.6	80.8	80.4	79.7	78.9	86.4

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Assessment Area Concentration: “Satisfactory”

During the evaluation period, TBB originated small business loans totaling 81.1% by number, and 61.7% by dollar value within its assessment area. This record of small business lending, within its assessment area, is considered reasonable.

The following table shows the percentages of TBB’s small business loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business										
2008	35	83.3%	7	16.7%	42	3,998	64.4%	2,209	35.6%	6,207
2009	32	72.7%	12	27.3%	44	5,097	51.7%	4,762	48.3%	9,859
2010	19	95.0%	1	5.0%	20	2,179	98.8%	26	1.2%	2,205
Subtotal	86	81.1%	20	18.9%	106	11,274	61.7%	6,997	38.3%	18,271

Distribution by Borrower Characteristics: “Outstanding”

The distribution of loans based on borrower characteristics demonstrated a high rate of lending among businesses of different revenue sizes.

In each of the three years in the evaluation period, TBB has performed better than the aggregate level. TBB extended an average of 55.8% of its small business loans by number, and 50.1% by dollar value of its loans to businesses with annual revenues of one million dollars or less. These two penetration ratios compared much more favorably to the average aggregate level of 18.2% by number and 24.5% by dollar value during the same period.

The following chart provides a summary of TBB's small business lending distribution based on revenue size during the evaluation period:

<b>Distribution of Small Business Lending by Revenue Size of Business</b>									
<b>2008</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Rev. <= \$1MM	18	51.4%	1,558	39.0%	49,024	20.0%	1,433,971	26.9%	66.3%
Rev. > \$1MM	13	37.1%	1,761	44.0%					6.3%
Rev. Unknown	4	11.4%	679	17.0%					27.4%
<b>Total</b>	<b>35</b>		<b>3,998</b>		<b>245,046</b>		<b>5,323,906</b>		
<b>2009</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Rev. <= \$1MM	20	62.5%	3,168	62.2%	17,964	15.9%	671,174	22.9%	73.3%
Rev. > \$1MM	11	34.4%	1,649	32.4%					6.1%
Rev. Unknown	1	3.1%	280	5.5%					20.6%
<b>Total</b>	<b>32</b>		<b>5,097</b>		<b>112,869</b>		<b>2,928,522</b>		
<b>2010</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Rev. <= \$1MM	10	52.6%	920	42.2%	16,986	16.4%	595,758	21.5%	73.6%
Rev. > \$1MM	7	36.8%	759	34.8%					5.6%
Rev. Unknown	2	10.5%	500	22.9%					20.8%
<b>Total</b>	<b>19</b>		<b>2,179</b>		<b>103,321</b>		<b>2,774,452</b>		
<b>GRAND TOTAL</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Rev. <= \$1MM	48	55.8%	5,646	50.1%		18.2%		24.5%	
Rev. > \$1MM	31	36.0%	4,169	37.0%					
Rev. Unknown	7	8.1%	1,459	12.9%					
<b>Total</b>	<b>86</b>		<b>11,274</b>						

#### Geographic Distribution of Loans: "Satisfactory"

The distribution of small business loans based on the income level of the geography of the business demonstrated a reasonable rate of lending.

TBB's lending in LMI geographies outperformed the aggregate in 2008 but fell below the aggregate in 2009 and 2010.

In 2008, TBB outperformed the aggregate. TBB's LMI penetration rates were 37.1% by number, and 42.3% by dollar value. By comparison, the aggregate reported 26.8% by number and 23.3% by dollar value.

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In 2009, TBB underperformed the aggregate. TBB's lending in LMI geographies declined to 21.9% by number and 17.0% by dollar value. The aggregate, on the other hand, reported 26.0% by number and 22.4% by dollar value.

Similarly in 2010, TBB reported 15.8% by number and 18.2% by dollar value of its small business loans from LMI geographies. The aggregate reported 24.0% by number and 22.1% by dollar value.

Overall, during the evaluation period, TBB extended 26.7% by number and 26.2% by dollar value of its small business loans in LMI geographies. The ratios were comparable to the aggregate's lending in LMI geographies in 2008, 2009 and 2010, respectively.

The following chart provides a summary of TBB's small business lending distribution based on the income level of the geography.

<b>Distribution of Small Business Lending by Geographic Income of the Census Tract</b>									
<b>2008</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	2	5.7%	600	15.0%	21,151	8.6%	425,042	8.0%	11.5%
Moderate	11	31.4%	1,091	27.3%	44,611	18.2%	818,075	15.4%	20.4%
LMI	13	37.1%	1,691	42.3%	65,762	26.8%	1,243,117	23.3%	31.9%
Middle	6	17.1%	255	6.4%	45,454	18.5%	942,602	17.7%	18.1%
Upper	16	45.7%	2,052	51.3%	131,120	53.5%	3,041,293	57.1%	48.6%
Unknown	0	0.0%	0	0.0%	2,710	1.1%	96,894	1.8%	1.3%
<b>Total</b>	<b>35</b>		<b>3,998</b>		<b>245,046</b>		<b>5,323,906</b>		
<b>2009</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	9,690	8.6%	226,794	7.7%	11.5%
Moderate	7	21.9%	867	17.0%	19,642	17.4%	428,717	14.6%	20.3%
LMI	7	21.9%	867	17.0%	29,332	26.0%	655,511	22.4%	31.8%
Middle	8	25.0%	994	19.5%	20,041	17.8%	489,008	16.7%	18.1%
Upper	17	53.1%	3,236	63.5%	62,204	55.1%	1,722,116	58.8%	48.6%
Unknown	0	0.0%	0	0.0%	1,292	1.1%	61,887	2.1%	1.3%
<b>Total</b>	<b>32</b>		<b>5,097</b>		<b>112,869</b>		<b>2,928,522</b>		
<b>2010</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	7,825	7.6%	213,879	7.7%	11.3%
Moderate	3	15.8%	396	18.2%	16,941	16.4%	399,621	14.4%	20.2%
LMI	3	15.8%	396	18.2%	24,766	24.0%	613,500	22.1%	31.5%
Middle	7	36.8%	455	20.9%	17,874	17.3%	437,174	15.8%	18.2%
Upper	9	47.4%	1,328	60.9%	59,188	57.3%	1,655,728	59.7%	48.9%
Unknown	0	0.0%	0	0.0%	1,493	1.4%	68,050	2.5%	1.3%
<b>Total</b>	<b>19</b>		<b>2,179</b>		<b>103,321</b>		<b>2,774,452</b>		
<b>GRAND TOTAL</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	2	2.3%	600	5.3%	38,666	8.4%	865,715	7.9%	
Moderate	21	24.4%	2,354	20.9%	81,194	17.6%	1,646,413	14.9%	
LMI	23	26.7%	2,954	26.2%	119,860	26.0%	2,512,128	22.8%	
Middle	21	24.4%	1,704	15.1%	83,369	18.1%	1,868,784	16.9%	
Upper	42	48.8%	6,616	58.7%	252,512	54.7%	6,419,137	58.2%	
Unknown	-	0.0%	-	0.0%	5,495	1.2%	226,831	2.1%	
<b>Total</b>	<b>86</b>		<b>11,274</b>		<b>461,236</b>		<b>11,026,880</b>		

**Action Taken In Response to Written Complaints With Respect to CRA: "Satisfactory"**

Since the latest CRA evaluation as of December 31, 2007, neither TBB nor DFS has received any written complaints regarding TBB's CRA performance.

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**Community Development Test:** “Satisfactory”

TBB’s community development performance demonstrated adequate responsiveness to the community development needs of its assessment area considering TBB’s capacity and the need and availability of such opportunities for community development in its assessment area.

During the evaluation period, TBB originated \$15.5 million in new community development loans, and had \$3.5 million outstanding from prior evaluation periods. Also during the same period, TBB made \$1.9 million in new community development investments and had \$15.4 million outstanding from prior evaluation periods.

A more detailed description of TBB’s community development activity follows:

**Community Development Lending:** “Satisfactory”

During the evaluation period, TBB originated \$15.5 million in new community development loans, and had \$3.5 million outstanding from prior evaluation periods. The amount of community development lending was considered adequate, over the course of the evaluation period.<sup>1</sup>

<b>Community Development Loans</b>				
	<b>This Evaluation Period</b>		<b>Outstanding from Prior Evaluation Periods</b>	
<b>Purpose</b>	<b># of Loans</b>	<b>\$000</b>	<b># of Loans</b>	<b>\$000</b>
Affordable Housing	1	5,000	1	3,500
Economic Development				
Community Services	3	10,500		
<b>Total</b>	<b>4</b>	<b>15,500</b>	<b>1</b>	<b>3,500</b>

Below are examples of TBB’s community development lending:

- TBB extended a \$5.0 million loan to a for-profit organization for the acquisition and renovation of a motel in Queens, New York that was converted to provide temporary housing for homeless individuals
- TBB extended a \$3.0 million loan to a for-profit entity for the construction of a residential care center in a low-income census tract in Brooklyn, New York. The organization provides meals, social care and other support to the elderly
- TBB granted a \$6.5 million loan to a for-profit entity that provides housing and

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<sup>1</sup> For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit.

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assisted-living primarily for LMI individuals. The organization is located and operates in a moderate-income geography

Community Development Investments: “Outstanding”

During the evaluation period, TBB made \$1.9 million in new community development investments, and had \$15.5 million outstanding from prior evaluation periods. TBB’s level of community development investments over the course of the evaluation period was considered to be excellent.

Community Development Investments and Grants				
	This Evaluation Period		Outstanding from Prior Evaluation Periods	
CD Investments	# of Inv.	\$000	# of Inv.	\$000
Affordable Housing	3	1,940	27	15,450
Total	3	1,940	27	15,450

TBB’s community development investments consisted entirely of CRA qualified mortgage backed securities issued/guaranteed by the Federal National Mortgage Association (“FNMA”) and the Government National Mortgage Association (“GNMA”).

Community Development Services: “Satisfactory”

TBB demonstrated an adequate level of community development services over the course of the evaluation period. TBB’s senior management and officers provided their banking and financial expertise to local community development organizations.

Below are some highlights of TBB’s community development services.

- An assistant branch manager served as treasurer to a community center. The organization assists senior citizens with their financial questions and financial concerns and helping them with their mails and their utility bills
- A branch manager holds classes yearly at Glen Arden to assist the senior citizens in handling their financial transactions. The branch manager also holds classes to senior citizens about ID theft and prevention.
- A senior vice president in the commercial lending area is a volunteer in a not-for-profit professional organization dedicated to the professional development and education for those involved with community development and housing. The SVP, assists and mentors women to develop essential skills in their areas of profession

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### Innovative or Complex Practices:

During the evaluation period, TBB did not demonstrate any innovative or flexible community development practices. The lending and investments were neither innovative nor complex.

### Responsiveness to Community Development Needs:

TBB demonstrated an adequate level of responsiveness to credit and community development needs.

TBB offers two low cost deposit products:

1. Basic Banking – non-interest bearing, \$25.00 to open with no minimum balance requirements, a \$3 monthly service charge, no minimum balance requirements, and no per check charges for the first eight transactions
2. Statement Savings – interest bearing, \$3.00 to open, and a \$3.00 average monthly collected balance to avoid the \$5 per month service charge

In addition, TBB management and staff provided a number of community development services to non-profit organizations and low or moderate income individuals

### Additional Factors

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

The compliance officer presents the CRA reports and the CRA program and activities to the board of directors, quarterly. The board amends the CRA policy whenever there is a significant change or update. Senior management is provided monthly, with status reports of CRA loans and investments.

#### **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.*

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

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

NYSDFS noted no evidence of prohibited discriminatory or other illegal practices.

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## Record of Opening and Closing offices and Branches

TBB currently operates eleven deposit taking offices throughout New York City, Orange, and Sullivan Counties; ten full branches and one limited purpose branch. None of these branches are located in LMI census tracts. TBB offers a full selection of deposit products and services including checking (personal and business), savings, and money market and time deposit accounts.

TBB opened a full service branch in Teaneck, Bergen County of New Jersey in November 2009.

Distribution of Branches within the Assessment Area							
County	N/A	Low	Moderate	Middle	Upper	Total	LMI
	#	#	#	#	#	#	%
New York				1	2	3	0%
Kings					4	4	0%
Orange				3		3	0%
Sullivan*					1	1	0%
<b>Total</b>	-	-	-	4	7	11	0%
*Partial County							

## 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.

TBB has designated its regional managers to communicate with various non-profit organizations and community groups to ascertain credit and banking needs in the various regions within the assessment area.

- 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

TBB promotes its loan products in several languages in an attempt to reach a wider range of ethnic groups. TBB also uses newspapers to market its credit services. To further meet the needs of the communities, most of TBB's branches are staffed by multilingual personnel who speak the language of the people who reside in the area being serviced.

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**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**

No other factors were considered in this evaluation.

## GLOSSARY

### Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

### 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.

**Income Level**

The income level of the person, family or household is based on the income of person, family or household. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

<b>Income level of individual or geography</b>	<b>% of the area median income</b>
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

**Loans to Small Businesses**

Small business loans to businesses with gross annual revenues (“GAR”) of \$1 million or less (“< = \$ 1MM”).

**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**

Individuals or persons 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 in LMI geographies or to LMI borrowers.

### **Small Business Loans**

Loans to businesses with original amounts of  $\leq$  \$1MM.