



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

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: September 30, 2013

Institution: APPLE BANK FOR SAVINGS
122 EAST 42ND STREET
NEW YORK, NEW YORK 10168-0002

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.

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 Tests and Assessment Factors	4
Lending Test	
Investment Test	
Service Test	
Additional Factors	
Glossary	5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Apple Bank prepared by the New York State Department of Financial Services (“DFS or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of September 30, 2013.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services 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 Superintendent implements Section 28-b and further requires that the 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 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 in 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 (“Evaluation”) be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Apple Bank's performance was evaluated according to the large bank performance criteria pursuant to Parts 76.8, 76.9 and 76.10 of the General Regulations of the Superintendent. This assessment period included calendar years 2010, 2011, 2012 and the nine months ended September 30, 2013. Apple Bank is rated "2", indicating a "**Satisfactory**" record of helping to meet community credit needs.

This rating is based on the following factors:

Lending Test: "High Satisfactory"

With the economic downturn and low interest rates prevailing during the period covered by this evaluation favoring refinances and disfavoring purchases of residential properties, Apple Bank registered "Low Satisfactory" ratings in the following sub-components of the Lending Test: Lending Activity (Apple Bank's loan-to-deposit ratio for the last 15 quarters ended September 30, 2013 was 24.6% percent below the ratio of its peer group) and Distribution by Borrower Characteristics (Apple Bank had no loans to low-income borrowers in 2011 and underperformed aggregate lending overall to low-income borrowers). DFS rates Apple Bank's Geographic Distribution of Loans to be "High Satisfactory."

Apple Bank was rated "Outstanding" in Assessment Area Concentration (99.9% by number and dollar value of loans inside of the Assessment Area) and Community Development ("CD") Lending. For CD lending, Apple Bank increased its lending by 28.2% from \$176.9 million to \$226.7 million in loans for the current evaluation period. This number and particularly the dollar amount of CD loans for affordable housing demonstrated an excellent level of CD lending.

Investment Test: "Outstanding"

The dollar amount, as well as the innovativeness and responsiveness to economic development and affordable housing needs, of Apple Bank's CD investments demonstrated an excellent level of commitment to the CD needs of Apple Bank's assessment area.

Service Test: "High Satisfactory"

DFS rated Apple Bank's retail banking services as "Outstanding." Apple Bank continued to have good delivery systems, a strong branch network, convenient branch hours and services, and good alternative delivery systems.

Apple Bank was rated "Low Satisfactory" in its community development services.

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

PERFORMANCE CONTEXT

Institution Profile:

Apple Bank for Savings (“Apple Bank”) was chartered in 1863 as Haarlem Savings Bank, and changed its name to Apple Bank for Savings in May 1983. On July 31, 1985 it converted to a stock form institution from a mutual savings bank. Apple Bank is a wholly owned subsidiary of Apple Financial Holdings, Inc.

On April 20, 2013, Apple Bank acquired 29 branches and related deposit accounts and services from Emigrant Savings Bank, expanding services in its assessment area consisting of eight counties: Bronx, Kings, New York, Queens, Richmond, Nassau, Suffolk and Westchester, thereby increasing its branch network to 76 branches.

Apple Bank is a community bank that funds its assets through deposit taking activities and is primarily involved in securities investment and lending. Apple Bank provides consumer and small business banking services, which include traditional deposit and loan products such as checking and savings accounts, residential mortgages, home equity and co-op loans, commercial mortgages, foreign currency exchange and wire transfers.

Per the Consolidated Report of Condition (“Call Report”), as of September 30, 2013, filed with the Federal Deposit Insurance Corporation (“FDIC”), Apple Bank reported total assets of \$11.9 billion of which \$7.6 billion were net loans and lease finance receivables. It also reported total deposits of \$10.9 billion resulting in a loan-to-deposit ratio of 70.0%. According to the latest available comparative deposit data as of June 30, 2013, Apple Bank obtained a market share of 1%, or \$10.9 billion in a market of \$1 trillion, ranking it 13th among 137 deposit-taking institutions in the assessment area.

The following table is a summary of Apple Bank’s loan portfolio, based on Schedule RC-C of the bank’s December 31, 2010, December 31, 2011, December 31, 2012 and the 3rd quarter ended September 30, 2013 Call Reports.

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	2010		2,011		2012		9/30/2013	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Loans secured by Real Estate								
1-4 Family Residential Mort. Loans	787,583	26.6	625,980	14.2	481,176	8.3	407,234	5.4
Commercial Mortgage Loans	947,873	32.0	1,219,102	27.6	1,579,468	27.1	1,963,954	25.9
Multifamily Mortgages	431,425	14.6	537,753	12.2	553,673	9.5	682,720	9.0
Commercial & Industrial Loans	602,927	20.3	1,774,099	40.2	3,081,772	53.0	4,322,775	57.0
Consumer Loans	19,989	0.7	24,982	0.6	20,615	0.4	21,391	0.3
Construction Loans (1-4 family)	114,236	3.9	114,186	2.6	0	0.0	0	0.0
Other Loans	60,068	2.0	115,104	2.6	102,002	1.8	186,208	2.5
Total Gross Loans	2,964,101	100.0	4,411,206	100.0	5,818,706	100.0	7,584,282	100.0

As illustrated in the above table, Apple Bank is primarily a commercial lender. Commercial and industrial loans and commercial mortgages made up 82.9% of Apple Bank's total gross loans as of September 30, 2013, while HMDA-reportable loans (1-4 family residential and multifamily mortgages) made up 14.4%.

The share of Apple Bank's 1-4 family residential loans declined from 26.6% in 2010 to 5.4% in 2013, while commercial and industrial loans increased from 20.3% in 2010, to 57.0% in 2013.

There are no known financial or legal impediments that had an adverse impact on Apple Bank's ability to meet the credit needs of its community.

Assessment Area:

Apple Bank's assessment area includes a total of eight counties: Bronx, New York, Kings, Queens, Richmond, Westchester, Nassau and Suffolk.

There are 2,998 census tracts in the assessment area, of which 310 are low-income, 697 are moderate-income, 1,062 are middle-income, 850 are upper-income and 79 have no income indicated.

Low- and moderate-income ("LMI") census tracts constituted 33.6% of all tracts in Apple Bank's assessment area. Bronx County has the highest percentage of LMI census tracts at 67.8% followed by Kings County at 49.5%.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	10	129	101	64	35	339	67.8
Kings	13	108	269	234	137	761	49.5
New York	12	37	65	23	151	288	35.4
Queens	26	16	134	303	190	669	22.4
Richmond	3	2	9	30	67	111	9.9
Nassau	8	9	26	157	84	284	12.3
Suffolk	1	4	70	197	51	323	22.9
Westchester	6	5	23	54	135	223	12.6
Total	79	310	697	1,062	850	2,998	33.6

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

Demographic & Economic Data:

Population and Income

The assessment area population during the examination period was 11.9 million. About 12.6% of the population were over the age of 65 and 80.4% were 16 and older. About 19.6% were under the age of 16.

Of the 2.8 million families in the assessment area, 25.7% were low-income, 16.8% were moderate-income, 18.2% were middle-income and 39.3% were upper-income families. There were 4.3 million households in the assessment area, of which 14.6% had income below the poverty level and 3.4% were on public assistance.

The weighted average median family income in the assessment area was \$80,105. Among the eight counties in the assessment area, Westchester had the highest weighted average median family income at \$114,927 followed by Nassau at \$113,801 and New York at \$104,415. Bronx had the lowest weighted average median family income at \$42,639 followed by Kings at \$54,363.

Housing Characteristics

There were 4.7 million housing units within the assessment area, with the percentage of 1-4 family units slightly higher (52.9%) than multifamily units (46.8%). Rental-occupied housing units made up 49.4% of all housing units while 42.0% were owner occupied units.

Of the 2.3 million rental-occupied housing units, 50.5% were in LMI census tracts while 49.5% were in middle- and upper-income census tracts.

Among the eight counties in the assessment area, Bronx had the highest percentage of renter-occupied units in LMI tracts at 81.9% and Kings had 63.5%. Average monthly gross rent in the assessment area was \$1,151.

Of the 2.0 million owner-occupied housing units, 16.6% were in LMI census tracts while 83.4% were in middle- and upper-income census tracts. The median age of the housing stock was 67 years and the median home value in the assessment area was \$521,181.

Business Demographics

There were 1.0 million non-farm businesses in the assessment area. Of these, 73.5% were businesses with reported revenues of less than or equal to \$1 million, 5.2% reported revenues of more than \$1 million and 21.3% did not report their revenues. Of all businesses in the assessment area, 80.1% were businesses with less than fifty employees while 94.0% operated from a single location. The largest industries in the area were services (45.3%), followed by retail trade (14.2%) and finance, insurance & real estate (8.5%); 13.1% of businesses in the assessment area were not classified.

Unemployment Rates

According to the New York State Department of Labor, the average unemployment rate for New York State for the three years of the evaluation period was 8.5%, and the rate fell to an average of 7.8% for the ten months ended October 2013. Nassau (7.0%), Westchester (7.2%), Suffolk (7.6%), New York (7.8), and Queens (8.4%) counties have rates below the statewide average. Bronx (12.6%) and Kings (10%) counties have rates above the statewide average unemployment rate. The same trend continued in 2013.

	Statewide	Bronx	Kings	New York	Queens	Richmond	Nassau	Suffolk	Westchester
2010	8.6	12.8	10.3	8.1	8.7	8.8	7.1	7.7	7.4
2011	8.3	12.4	9.8	7.5	8.1	8.3	6.8	7.5	7.0
2012	8.5	12.7	9.9	7.7	8.3	8.5	7.1	7.6	7.2
Ave (3 yrs.)	8.5	12.6	10.0	7.8	8.4	8.5	7.0	7.6	7.2
2013 *	7.8	11.9	9.4	7.3	7.8	7.8	6.2	6.7	6.6

* 10 months average

Community Information:

Community contacts included a community based nonprofit organization that promotes affordable housing opportunities and other community development needs of low-income New Yorkers of South Asian origin; a leading advocate in the preservation and improvement of affordable housing in New York City, as well as in providing a range of financial services to low-income individuals in Bronx County;

and a community development corporation engaged in a range of programs covering affordable housing and community revitalization in central Brooklyn.

According to these contacts, the housing-centered recession in the aftermath of the 2007 financial crisis produced a high level of need for affordable homes. Millions of households lost income during the recession, and many of these lost their homes to foreclosure. Despite increased affordability of homes available for purchase, tightened mortgage lending standards have prevented many LMI households from homeownership opportunities. Many households needed to rent rather than purchase homes, a significant change that placed greater pressure on an already expensive and tight rental market, especially for lower-cost rental homes.¹

In New York City, community contacts also indicated this increasing need for affordable rental housing options particularly for low-income households. Rent among the low-income neighborhoods consistently has been increasing, and families spent more than half of their incomes on rent. Many areas in Brooklyn, Queens and Manhattan that used to be affordable to LMI individuals were gentrified² and became unaffordable.

The high cost of rent is further exacerbated by concerns voiced by affordable housing advocates of the rise in the number of affordable multifamily properties considered in physical and/or financial distress in New York State.³

Community contacts also indicated the need for banks to expand their physical presence in under-banked and low-income communities, and offer low cost and less complex deposit accounts and services in these neighborhoods.

1 "Challenges for Affordable Housing in a New Era of Scarcity, published by the Community Development Department of the Federal Reserve Bank of San Francisco, Spring 2013

2 Gentrification is a shift in an urban community toward wealthier residents and/or business and increasing property values, sometimes to the detriment of the poorer residents of the community.

3 See DFS's Final Guidelines for Bank Lending to Multifamily Properties Under the Community Reinvestment Act (dated December 4, 2014), available at <http://www.dfs.ny.gov/legal/industry/il141204.pdf>.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

Apple Bank was evaluated under the large bank's performance standards in accordance with Parts 76.8, 76.9 and 76.10 of the General Regulations of the Superintendent which consist of the lending, investment and service tests. The following factors were also considered in assessing the bank's record of performance:

- 1. The 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 were 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 were derived from the 2000 and 2010 U.S. Census and the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report are based on Dun & Bradstreet reports which are updated annually. Unemployment data were obtained from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis and were used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2010, 2011, 2012 and nine months ended September 30, 2013.

Examiners considered HMDA-reportable and MECA loans in evaluating factors (1) to (4) of the lending test noted below.

At its **prior** Performance Evaluation as of December 31, 2009, DFS assigned Apple Bank a rating of "1", reflecting an "Outstanding" record of helping to meet community credit needs.

Current CRA Rating: “Satisfactory”

LENDING TEST: “High Satisfactory”

The bank’s lending performance was evaluated pursuant to the following criteria:

- (1) Lending Activity;*
- (2) Assessment Area Concentration;*
- (3) Geographic Distribution of Loans;*
- (4) Borrower Characteristics;*
- (5) Community Development Lending; and*
- (6) Flexible and/or Innovative Lending Practices.*

Apple Bank’s HMDA-reportable and MECA loan activities were reasonable in light of its size, financial condition and business strategy considering prevailing real estate market conditions, as well as peer group activity, demographics, and the assessment area’s credit needs. Apple Bank demonstrated more than adequate responsiveness to community needs in its community development lending.

Lending Activity: “Low Satisfactory”

Apple Bank’s lending reflected adequate levels considering its size, business strategy and financial condition, as well as peer group¹ activity and the demographics of its assessment area.

Apple Bank’s average LTD ratio for the last 15 quarters ended September 30, 2013 was 58.9% or 25% below its peer group.

With the economic downturn and low interest rates prevailing during the period covered by this evaluation, a significant number of HMDA-reportable loans and MECAs were refinances and less were new loans or purchases, especially in 2010 and 2011. Of the total HMDA-reportable loans and MECA loans, 68% and 91%, respectively, were refinances.

Compared to the prior period, Apple Bank made fewer loans inside of its assessment area, decreasing 42.1% by number (from 1,501 to 869) and 25.9% by dollar value (from \$981.5 million to \$726.5 million).

¹ Peer group (101) – Insured savings banks having assets greater than \$1 billion

Loan-to-Deposit (LTD) Ratios																
	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	Avg
Bank	40.7	43.2	45.3	50.4	50.6	53.5	63.8	65.7	59.3	61.7	63.7	69.0	80.7	65.8	70.2	58.9
Peer	86.1	85.1	84.7	84.2	82.9	82.4	82.0	82.6	80.1	80.4	82.8	85.1	83.5	84.8	85.9	83.5
Diff.	(45)	(42)	(39)	(34)	(32)	(29)	(18)	(17)	(21)	(19)	(19)	(16)	(3)	(19)	(16)	(25)

Assessment Area Concentration: “Outstanding”

During the evaluation period, Apple Bank originated 99.9% by number, and 99.9% by dollar value of HMDA-reportable and MECA loans within the assessment area. This substantial majority of lending inside of its assessment area is an excellent record of lending.

HMDA-Reportable Loans

During the evaluation period, Apple Bank originated all of its HMDA-reportable loans within the assessment area, demonstrating an excellent record of lending.

MECA Loans

During the evaluation period, Apple Bank originated all, except one loan within the assessment area, or 99.4% by number, and 99.8% by dollar value, indicating an excellent record of lending.

The following table shows the percentages of Apple Bank’s HMDA-reportable and MECA 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
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2010	283	100.0%	-	0.0%	283	160,483	100.0%	-	0.0%	160,483
2011	60	100.0%	-	0.0%	60	46,369	100.0%	-	0.0%	46,369
2012	129	100.0%	-	0.0%	129	42,273	100.0%	-	0.0%	42,273
9/30/2013	236	100.0%	-	0.0%	236	74,719	100.0%	-	0.0%	74,719
Subtotal	708	100.0%	-	0.0%	708	323,844	100.0%	-	0.0%	323,844
MECA Loans										
2010	40	100.0%	-	0.0%	40	119,671	100.0%	-	0.0%	119,671
2011	60	98.4%	1	1.6%	61	168,823	99.6%	750	0.4%	169,573
2012	55	100.0%	-	0.0%	55	110,958	100.0%	-	0.0%	110,958
9/30/2013	6	100.0%	-	0.0%	6	3,180	100.0%	-	0.0%	3,180
Subtotal	161	99.4%	1	0.6%	162	402,632	99.8%	750	0.2%	403,382
Grand Total	869	99.9%	1	0.1%	870	726,476	99.9%	750	0.1%	727,226

Geographic Distribution of Loans: “High Satisfactory”

Based on the distribution of HMDA-reportable and MECA loans by census-tract income level, Apple Bank made a reasonable percentage of those loans into low- and moderate-income (“LMI”) areas.

HMDA-Reportable Loans

Based on the distribution of HMDA-reportable loans by census-tract income level, Apple Bank made a reasonable percentage of its loans in LMI census tracts.

During the evaluation period, Apple Bank outperformed the aggregate rate of lending in low-income census tracts by 2.4% in number of HMDA-reportable loans and was even with the aggregate in dollar value. In LMI geographies overall, Apple Bank outperformed the aggregate rate of lending by 15.5% by number and 3.8% by dollar value of loans.

The following table provides a summary of Apple Bank’s HMDA-reportable lending distribution based on the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2010									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	9	3.2%	2,784	1.7%	2,408	2.0%	1,174,156	2.4%	1.7%
Moderate	31	11.0%	7,584	4.7%	14,326	11.7%	4,982,708	10.2%	13.7%
LMI	40	14.1%	10,368	6.5%	16,734	13.6%	6,156,864	12.6%	15.4%
Middle	56	19.8%	21,638	13.5%	50,272	40.9%	15,778,825	32.4%	44.4%
Upper	186	65.7%	127,950	79.7%	55,741	45.4%	26,632,674	54.7%	40.2%
Unknown	1	0.4%	527	0.3%	143	0.1%	128,030	0.3%	0.0%
Total	283		160,483		122,890		48,696,393		
2011									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	1.7%	800	1.7%	2,477	2.1%	1,742,510	3.5%	1.7%
Moderate	3	5.0%	2,700	5.8%	13,988	12.0%	6,137,069	12.2%	13.7%
LMI	4	6.7%	3,500	7.5%	16,465	14.1%	7,879,579	15.6%	15.4%
Middle	9	15.0%	2,949	6.4%	46,258	39.7%	14,894,372	29.5%	44.4%
Upper	46	76.7%	38,922	83.9%	53,599	46.0%	27,531,379	54.5%	40.2%
Unknown	1	1.7%	998	2.2%	161	0.1%	165,443	0.3%	0.0%
Total	60		46,369		116,483		50,470,773		
2012									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	6.2%	1,992	4.7%	2,885	2.1%	1,763,016	2.9%	2.2%
Moderate	50	38.8%	12,937	30.6%	15,574	11.3%	6,461,147	10.5%	14.4%
LMI	58	45.0%	14,929	35.3%	18,459	13.4%	8,224,163	13.4%	16.6%
Middle	29	22.5%	6,382	15.1%	52,709	38.3%	18,146,925	29.6%	42.6%
Upper	42	32.6%	20,962	49.6%	66,038	48.0%	34,629,177	56.5%	40.9%
Unknown	0	0.0%	0	0.0%	253	0.2%	276,400	0.5%	0.0%
Total	129		42,273		137,459		61,276,665		
9/30/2013									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	14	5.9%	3,877	5.2%	Data not available.				
Moderate	91	38.6%	24,706	33.1%					
LMI	105	44.5%	28,583	38.3%					
Middle	63	26.7%	14,777	19.8%					
Upper	68	28.8%	31,359	42.0%					
Unknown	0	0.0%	0	0.0%					
Total	236		74,719						
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	32	4.5%	9,453	2.9%		2.1%		2.9%	
Moderate	175	24.7%	47,927	14.8%		11.6%		11.0%	
LMI	207	29.2%	57,380	17.7%		13.7%		13.9%	
Middle	157	22.2%	45,746	14.1%		39.6%		30.4%	
Upper	342	48.3%	219,193	67.7%		46.5%		55.3%	
Unknown	2	0.3%	1,525	0.5%		0.1%		0.4%	
Total	708		323,844						

MECA Loans

Apple Bank had 161 MECA loans for a total dollar value of \$402.6 million. MECA loans are not included in aggregate/peer levels.

The following table provides a summary of Apple Bank's MECA lending by geographic income level.

Distribution of MECA Loans by Geographic Income of the Census Tract					
2010					
Geographic	Bank				OO HUs
Income	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	1.7%
Moderate	4	10.0%	2,634	2.2%	13.7%
LMI	4	10.0%	2,634	2.2%	15.4%
Middle	7	17.5%	17,252	14.4%	44.4%
Upper	29	72.5%	99,785	83.4%	40.2%
Unknown	0	0.0%	0	0.0%	0.0%
Total	40		119,671		
2011					
Geographic	Bank				OO HUs
Income	#	%	\$000's	%	%
Low	3	5.0%	8,900	5.3%	1.7%
Moderate	4	6.7%	8,700	5.2%	13.7%
LMI	7	11.7%	17,600	10.4%	15.4%
Middle	16	26.7%	35,100	20.8%	44.4%
Upper	37	61.7%	116,123	68.8%	40.2%
Unknown	0	0.0%	0	0.0%	0.0%
Total	60		168,823		
2012					
Geographic	Bank				OO HUs
Income	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	2.2%
Moderate	8	14.5%	15,560	14.0%	14.4%
LMI	8	14.5%	15,560	14.0%	16.6%
Middle	10	18.2%	25,126	22.6%	42.6%
Upper	37	67.3%	70,272	63.3%	40.9%
Unknown	0	0.0%	0	0.0%	0.0%
Total	55		110,958		
9/30/2013					
Geographic	Bank				OO HUs
Income	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	
Moderate	1	16.7%	98	3.1%	
LMI	1	16.7%	98	3.1%	
Middle	1	16.7%	570	17.9%	
Upper	4	66.7%	2,512	79.0%	
Unknown	0	0.0%	0	0.0%	
Total	6		3,180		
GRAND TOTAL					
Geographic	Bank				OO HUs
Income	#	%	\$000's	%	%
Low	3	1.9%	8,900	2.2%	
Moderate	17	10.6%	26,992	6.7%	
LMI	20	12.4%	35,892	8.9%	
Middle	34	21.1%	78,048	19.4%	
Upper	107	66.5%	288,692	71.7%	
Unknown	-	0.0%	-	0.0%	
Total	161		402,632		

Distribution by Borrower Characteristics: “Low Satisfactory”

Based on the distribution of HMDA-reportable and MECA loans by borrower income, Apple Bank achieved an adequate rate of lending to LMI borrowers.

HMDA-Reportable Loans (1-4 family loans)

Apple Bank made 54% of its 1-4 family loans in 2010 and 2011; the remaining 46% were made in 2012 and 2013. Based on the distribution of HMDA-reportable 1-4 family residential loans by borrower income level, Apple Bank made an adequate percentage of loans to LMI borrowers.

Apple Bank’s lending to low-income borrowers in 2010 underperformed the aggregate by 2.1% by number and 1.0% by dollar value of loans. No loans were made to low-income borrowers in 2011. In 2012 Apple Bank outperformed the aggregate by 1.6% by number and underperformed by 0.1% by dollar value in lending to low-income borrowers. Overall, Apple Bank underperformed aggregate levels of lending to low-income borrowers by 0.9% by number and 0.8% by dollar value.

Except for 2011, when Apple Bank’s lending to LMI borrowers underperformed aggregate levels by 13.4% by number and 7.1% by dollar value, overall lending to LMI borrowers was favorable compared to the aggregate, outperforming aggregate lending by 11.4% by number and 4.5% by dollar value.

The following table provides a summary of the HMDA-reportable lending distribution based on household income.

Distribution of 1-4 Family Loans by Borrower Income									
2010									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.6%	105	0.1%	3,285	2.7%	477,877	1.1%	26.0%
Moderate	43	24.4%	7,856	8.3%	14,578	12.0%	2,863,878	6.4%	16.7%
LMI	44	25.0%	7,961	8.4%	17,863	14.7%	3,341,755	7.5%	42.7%
Middle	16	9.1%	2,750	2.9%	27,445	22.6%	6,915,994	15.5%	18.6%
Upper	77	43.8%	59,761	63.0%	72,409	59.7%	32,637,311	73.1%	38.7%
Unknown	39	22.2%	24,394	25.7%	3,592	3.0%	1,765,763	4.0%	
Total	176		94,866		121,309		44,660,823		
2011									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	3,692	3.2%	522,812	1.2%	26.0%
Moderate	1	1.8%	26	0.1%	13,630	11.9%	2,620,433	6.0%	16.7%
LMI	1	1.8%	26	0.1%	17,322	15.2%	3,143,245	7.2%	42.7%
Middle	1	1.8%	330	0.8%	24,985	21.9%	6,183,884	14.1%	18.6%
Upper	55	96.5%	39,513	99.1%	67,404	59.0%	32,030,703	73.2%	38.7%
Unknown		0.0%		0.0%	4,565	4.0%	2,382,302	5.4%	
Total	57		39,869		114,276		43,740,134		
2012									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	6	5.0%	579	1.4%	4,616	3.4%	758,869	1.5%	25.7%
Moderate	30	25.2%	6,281	15.7%	15,845	11.8%	3,187,039	6.1%	16.8%
LMI	36	30.3%	6,860	17.1%	20,461	15.2%	3,945,908	7.6%	42.5%
Middle	23	19.3%	5,000	12.5%	29,057	21.6%	7,397,814	14.2%	18.3%
Upper	59	49.6%	27,345	68.3%	78,953	58.7%	37,372,166	71.5%	39.3%
Unknown	1	0.8%	860	2.1%	5,925	4.4%	3,532,805	6.8%	
Total	119		40,065		134,396		52,248,693		
9/30/2013									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	6	2.6%	670	0.9%	Data not available				
Moderate	68	28.9%	14,163	19.0%					
LMI	74	31.5%	14,833	19.9%					
Middle	45	19.1%	9,825	13.2%					
Upper	115	48.9%	49,372	66.3%					
Unknown	1	0.4%	489	0.7%					
Total	235		74,519						
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	13	2.2%	1,354	0.5%		3.1%		1.3%	
Moderate	142	24.2%	28,326	11.4%		11.9%		6.2%	
LMI	155	26.4%	29,680	11.9%	55,644	15.0%	10,430,800	7.4%	
Middle	85	14.5%	17,905	7.2%		22.0%		14.6%	
Upper	306	52.1%	175,991	70.6%		59.1%		72.5%	
Unknown	41	7.0%	25,743	10.3%		3.8%		5.5%	
Total	587		249,319						

MECA Loans

During the evaluation period, Apple Bank modified or extended 49 loans for an overall dollar value of \$37.7 million. However, only one of these loans was modified or extended to an LMI borrower. This level of lending was inadequate compared to family demographics.

The following table provides a summary of Apple Bank's MECA loans based on borrower income.

Distribution of MECA Loans (1-4 family) by Borrower Income					
2010					
Borrower Income	Bank				Fam.Dem.
	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	26.0%
Moderate	0	0.0%	0	0.0%	16.7%
LMI	0	0.0%	0	0.0%	42.7%
Middle	1	6.7%	190	1.5%	18.6%
Upper	11	73.3%	8,545	68.5%	38.7%
Unknown	3	20.0%	3,743	30.0%	
Total	15		12,478		
2011					
Borrower Income	Bank				Fam.Dem.
	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	26.0%
Moderate	1	7.7%	113	1.4%	16.7%
LMI	1	7.7%	113	1.4%	42.7%
Middle	0	0.0%	0	0.0%	18.6%
Upper	12	92.3%	7,809	98.6%	38.7%
Unknown		0.0%		0.0%	
Total	13		7,922		
2012					
Borrower Income	Bank				Fam.Dem.
	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	25.7%
Moderate	0	0.0%	0	0.0%	16.8%
LMI	0	0.0%	0	0.0%	42.5%
Middle	0	0.0%	0	0.0%	18.3%
Upper	15	100.0%	13,142	100.0%	39.3%
Unknown	0	0.0%	0	0.0%	
Total	15		13,142		
9/30/2013					
Borrower Income	Bank				Fam.Dem.
	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	
Moderate	0	0.0%	0	0.0%	
LMI	0	0.0%	0	0.0%	
Middle	1	16.7%	98	3.1%	
Upper	5	83.3%	3,082	96.9%	
Unknown	0	0.0%	0	0.0%	
Total	6		3,180		
GRAND TOTAL					
Borrower Income	Bank				Fam.Dem.
	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	
Moderate	1	2.0%	113	0.3%	
LMI	1	2.0%	113	0.3%	
Middle	2	4.1%	288	0.8%	
Upper	43	87.8%	32,578	88.7%	
Unknown	3	6.1%	3,743	10.2%	
Total	49		36,722		

Community Development Lending: “Outstanding”

During the evaluation period, Apple Bank originated \$217.0 million in new community development loans, and still had \$9.7 million outstanding from prior evaluation periods, for a total of \$226.7 million. This demonstrated an excellent level of community development lending during the evaluation period.²

The annualized ratio of qualified community development loans to total assets decreased to 0.73% from 0.81% at the prior period. Nevertheless, in absolute dollar amount, community development loans increased by 28.2% from \$176.9 million to \$226.7 million. In addition, a significant portion of the CD loans were extended to provide affordable housing, which is one of the most essential needs of LMI individuals in the assessment area.

Of the total CD loan proceeds, 56.9% were made to address the affordable housing needs of the assessment area; 18.8% to revitalize and stabilize LMI communities; 12.3% for community services and 12.0% for economic development.

Community Development Loans				
Purpose	This Evaluation Period		Outstanding from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	85	127,458	2	1,475
Economic Development	7	19,043	1	8,273
Community Services	7	27,840		
Revitalize & Stabilize	7	42,650		
Total	106	216,991	3	9,748

The following is a description of some of the community development loans made during the evaluation period.

Affordable Housing

- Apple Bank refinanced a \$29 million commercial mortgage secured by 10 affordable housing multi-family apartment buildings located in low- or moderate-income census tracts in the Bronx, such as Bedford Park, Mount Hope, University Heights, Fordham, and Mount Eden.
- Apple Bank extended \$21.8 million for the acquisition of six affordable multi-family rental properties located in low- or moderate-income census tracts in the Bronx.

² For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the time period of the exam.

The borrower has been actively acquiring properties in the Bronx, often with many violations, but turns the properties around by quickly fixing most of the violations. The properties consisted of 277 units of which 88% are considered affordable with rents lower than HUD fair market rents.

- Apple Bank extended a \$3.2 million term loan to a nationally recognized leader in affordable housing finance, specializing in new construction and rehabilitation of multifamily dwellings in distressed areas of New York City. Created in 1972, the nonprofit CDFI obtains funding for its affordable housing projects from participating banks, insurance companies and other investors. There are currently over 50 participating banks in New York State, including Apple Bank.

Community Services

- Apple Bank refinanced a \$5 million loan secured by a property located in a low-income census tract in Bronx County that was being utilized as a shelter for homeless families by the NYC Department of Homeless Services.
- In 2011 and 2013, Apple Bank extended \$7.5 million and \$12.5 million, respectively, to refinance and fund leasehold improvements on a hotel located in lower Manhattan. The hotel is currently leased to a social services organization that provides shelter to homeless women and children.

Economic Development

- Apple Bank extended \$3.5 million to an alternative lender who provides prudent and cost effective financing solutions for New York State's small businesses to support job creation and retention.
- Apple Bank refinanced a \$9.7 million commercial mortgage secured by a hotel in New York City. The hotel provides permanent jobs to approximately 110 low- and moderate-income employees including housekeeping, maintenance and café workers. The hotel also meets the U.S. SBA small business size standards.

Revitalize and Stabilize

- Apple Bank refinanced an \$11.5 million loan secured by a six-story office building occupied by 32 office tenants and four retail spaces and located in a moderate income area in Manhattan. Tenants include small businesses in fields such as software, computers, film, music, and finance. The loan stabilizes a moderate income area by retaining existing business that serve area residents.
- Apple Bank refinanced a \$4.5 million loan on a mixed-use commercial/retail property containing five suites. The building houses community service organizations including a Business Improvement District ("BID") that serves as an advocate for the

small business community in upper Manhattan; a clinic serving pregnant women, and children under five receiving Medicaid and food stamps who meet specific income eligibility requirements; and a NYC-sponsored educational facility for low income New Yorkers.

Flexible and/or Innovative Lending Practices:

Apple Bank made limited use of innovative lending practices. Nevertheless, it offered flexible lending programs designed to provide affordable housing financing options to low income families, as well as loan products designed to help customers with little, no credit or poor credit histories to establish or rebuild their credit.

- Apple Bank offers SONYMA's mortgage programs designed to make home purchases more affordable for low income first time homebuyers in New York State such as the "Low Interest Rate Program" and "Achieving the Dream Program."
- In May 2013, Apple Bank offered its own "Fixed Rate Loan Plus" mortgage program with more flexible underwriting, such as up to 95% financing of the value of the property and up to 40% debt to income ratios.
- Apple Bank revised its property requirements for condominium and cooperative loans by eliminating minimum square footage and specific restrictions on walk-up units. These new policies made the bank's property requirements more liberal than Freddie Mac, Fannie Mae and SONYMA.
- Apple Bank offers "Sure Credit" products to customers with little, no credit or poor credit histories to help them establish or rebuild their credit. The loan provides low cost borrowing for personal needs and offers flexible repayment terms. The minimum loan amount is \$500 and must be secured by savings or certificates of deposit maintained with the bank.

INVESTMENT TEST: "Outstanding"

Apple Bank's investment performance is evaluated pursuant to the following criteria:

- (1) The dollar amount of qualified investments;*
- (2) The innovativeness or complexity of qualified investments; and*
- (3) The responsiveness of qualified investments to credit and community development needs.*

Amount of Community Development Investments:

During the evaluation period, Apple Bank made \$177.4 million in new community development investments and had \$190.5 million outstanding from prior evaluation periods. In addition, Apple Bank made \$368,253 in community development grants. This demonstrated an excellent level of community development investments and grants over the course of the evaluation period.

The annualized ratio of qualified investments to total assets during the current 45 month evaluation period was 1.2% compared to 1.6% at the prior period. In absolute terms, CRA-qualified investments increased by 8.4%, from \$339.8 million at the prior period to its current level of \$368.3 million.

Investments for economic development purposes represented 88% of the total investments while 12% were for affordable housing.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	6	23,045	34	20,683
Economic Development	16	154,361	14	169,836
Community Services				
Other (Please Specify)				
Total	22	177,406	48	190,519
	# of Grants	\$000	Not Applicable	
CD Grants				
Affordable Housing	7	74		
Economic Development	2	20		
Community Services	12	208		
Revitalize and Stabilize	3	66		
Total	24	368		

Below are highlights of community development investments and grants.

Economic Development:

- During the current evaluation period, Apple Bank invested \$139.4 million in debentures³ issued by “Development Companies”⁴ to fund loans to small

³ Debenture is a type of debt instrument documented in an indenture that is not secured by physical assets or collateral. Debentures are backed only by the general creditworthiness and reputation of the issuer. Corporations and government agencies frequently issue this type of bond to secure capital.

businesses. The debt instruments are guaranteed by the U.S. Small Business Administration. Apple Bank had \$309.2 million in total investments in debentures issued by Development Companies, including \$169.8 million outstanding from prior evaluation periods. This represented 84% of total investments and 95.4% of investments towards economic development.

- Apple Bank invested \$15 million in debentures⁵ issued by 60 SBICs and guaranteed by the SBA.

Affordable Housing

- Apple Bank made an equity investment of \$3 million in a limited partnership, formed to invest primarily in other limited partnerships that own leveraged apartment complexes in the New York City metropolitan area that are eligible for low-income housing tax credits.
- Apple Bank invested \$10 million in Fannie Mae issued mortgage backed securities secured by two multi-family housing projects, both located in moderate income census tracts in New York City, subject to a regulatory agreement to lease all units to tenants with very low household incomes.
- Apple Bank contributed \$118,000 to a not-for-profit organization that provides supportive housing, treatment, care coordination, education and outreach to elevate lives and strengthen individuals and communities in New York City and Long Island.
- Apple Bank contributed \$29,965 to a community-based not-for-profit corporation with a mission to create, preserve, and improve affordable housing in the Northwest Bronx and New York City. This not-for-profit's services include providing low interest loans and technical assistance to community leaders, neighborhood groups and affordable housing managers; and researching the issues that impact housing affordability.

4 Section 503 of the Small Business Investment Act authorizes SBA to guarantee the debentures issued by SBA certified State or local development companies ("Development Companies"). The proceeds of the debentures are used to fund loans to small business concerns, as defined in the SBA regulations for construction or acquisition of physical plants or machinery and equipment.

5 Pursuant to Section 301(c) of the Small Business Act, the U. S. Small Business Administration, licenses, regulates, and provides financial assistance to small business investment companies. The sole function of these privately owned and managed investment companies, referred to as "SBICs" is to provide venture capital in the form of equity financing, long term loan funds and management services to small business concerns, for their growth, expansion and modernization.

Innovativeness of Community Development Investments:

Apple Bank demonstrated significant use of innovative investments to support economic development, as shown in its investments in debentures issued by Development Companies and SBICs, designed to provide equity capital and funds for expansion and growth of small businesses.

Responsiveness of Community Development Investments to Credit and Community Development Needs:

Apple Bank exhibited excellent responsiveness to credit and community development needs, via its community development investments.

SERVICE TEST: “High Satisfactory”

Apple Bank’s retail service performance is evaluated pursuant to the following criteria:

- (1) The current distribution of the banking institution’s branches;*
 - (2) The institution’s record of opening and closing branches;*
 - (3) The availability and effectiveness of alternative systems for delivering retail services;*
- and*
- (4) The range of services provided.*

Apple Bank’s community development service performance is evaluated pursuant to the following criteria:

- (1) The extent to which the banking institution provides community development services; and*
- (2) The innovativeness and responsiveness of community development services.*

Retail Banking Services: “Outstanding”

Apple Bank continues to have delivery systems, a branch network, branch hours and services, and alternative delivery systems that are above average.

Current distribution of the banking institution’s branches:

Apple Bank had a good distribution of branches within its assessment area.

In Bronx and Kings Counties, where the greatest number of low- and moderate-income census tracts are located,⁶ Apple Bank has 78% and 71%, respectively, of its branches in LMI census tracts. Overall, 34% of branches are in low- and moderate-income census tracts, demonstrating a reasonable distribution of branch locations.

⁶ Bronx County has 67.8% of its census tracts in LMI areas; while Kings County has 49.5%

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Bronx		5	2	1	1	9	78%
Kings		4	8	4	1	17	71%
New York		2	2	1	14	19	21%
Queens			1	3	1	5	20%
Richmond				1		1	0%
Westchester			1		4	5	20%
Nassau			1	8	1	10	10%
Suffolk				9	1	10	0%
Total	-	11	15	27	23	76	34%

Record of opening and closing branches:

Apple Bank’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems for LMI geographies or LMI individuals.

Apple Bank has a total network of 76 branches, including 26 acquired from Emigrant Savings Bank, of which 34% are in low- and moderate-income census tracts. All branches have ATMs; in addition, Apple Bank has six offsite ATMs. There were no branch openings; while three branches from the Emigrant acquisition were either closed or merged with existing Apple Bank branch locations. Four branches were relocated to the same census tract as the original site, while one branch was relocated from a moderate- to a middle-income census tract.

Availability and effectiveness of alternative systems for delivering retail services:

Apple Bank’s delivery systems continue to be accessible to significant portions of the bank’s assessment area, particularly LMI geographies and individuals.

Apple Bank offers bank-by-mail, 24/7 free online, mobile, ATM and telephone banking, TDD phone service for speech- or hearing-impaired customers, and ATMs with nationwide access through the VISA network. Apple Bank’s website (www.applebank.com) offers on-line banking, deposit and loan product information, listing of all branch and ATM locations with banking hours, as well as an educational newsletter, called “Insights”, on various financial topics for public use, among other tools, and information about Apple Bank’s products and services.

Range of services provided:

Apple Bank’s services continue to meet the convenience and needs of its assessment area, particularly LMI geographies and individuals.

All branches have ATMs, extended hours once during weekdays and weekend hours on

either Saturday or Sunday.

Apple Bank offers several products and services that support the credit and banking needs of low- and moderate-income individuals or small businesses such as:

- “Youth Savings” designed to encourage savings and knowledge of financial products among minors.
- Low cost checking options such as “Basic Value Checking” and “Extra Value Checking.”
- “Sure Credit” products to help customers establish a credit record.
- “Supreme Value Business Checking,” a totally free business checking product.
- “Loan-Plus Program” with flexible underwriting standards and amended requirements for mortgage loans to eliminate potential barriers to home ownership.
- “Apple Edge Program” which is offered free to employers that provides banking benefits to their employees.

Community Development Services: “Low Satisfactory”

Apple Bank provided an adequate level of community development services over the course of the evaluation period.

The bank’s executive officers provided financial expertise and technical assistance as members of the board of directors or holding positions on the committees of several not-for-profit organizations and a BID. In addition, Apple Bank provided financial education and training to residents of its assessment area, particularly low- and moderate-income individuals.

Below are highlights of Apple Bank’s community development services:

- A senior commercial mortgage officer is a member of the loan committee of a not-for-profit corporation sponsored by commercial banks, saving institutions and insurance companies. Its mission is to stabilize, strengthen and sustain low and mixed income communities by working closely with a range of community partners to create and preserve affordable housing.
- The CRA Officer serves as a chairperson of a not-for-profit corporation that provides a community-based and community-directed social services center in the Kingsbridge section of the Bronx, a moderate-income area. The CRA Officer also serves on the board and loan committee of a registered CDFI.

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- An officer is a board member of a not-for-profit organization that revitalizes underserved neighborhoods by creating and preserving affordable housing and providing opportunities for homeownership education, financial assistance and community leadership.
 - Representatives from Apple Bank provided basic banking education to students at schools located in low-income census tracts in Brooklyn and Manhattan.
 - Apple Bank participated in several home ownership events and organized seminars where it informed attendees about its SONYMA “Achieving the Dream Program,” a program available to lower-income first time homebuyers for the purchase and renovation of a home in need of improvements.

Additional Factors

The following factors were also considered in assessing Apple Bank’s record of performance.

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 Board of Directors performs a periodic review of the bank’s CRA activities. Apple Bank has a CRA Committee comprised of senior management from each business department such as residential lending and commercial mortgage, and chaired by the Executive Vice President/COO. The CRA Committee meets quarterly to evaluate ongoing CRA activities including community outreach efforts and self-assessment. CRA Committee minutes are circulated to the board.

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.*

DFS did not note any practices that were intended to discourage applications for the types of credit offered by the institution.

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

DFS did not note any evidence of prohibited discriminatory or other illegal practices.

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.

Apple Bank, to ascertain the credit needs of the community, as well as communicate regarding available credit services to the public, served as members of the boards of directors and committees of local, not-for-profit, civic and business organizations in the assessment area. Bank representatives participated in events that provided homebuyer and financial literacy education; mortgage department staff also participated in community fairs and seminars.

- 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.

Apple Bank advertised its loan and deposit products in print media such as the *Harlem News*, *Caribbean Life*, the *Bronx Times* and the *Bronx Reporter*. Apple Bank also used other avenues to make community members aware of its credit services such as: a preferred lender relationship with the Guaranteed Home Mortgage Company ("GMHC") enabling the bank to offer mortgage products to its customers that it otherwise could not offer, such as FHA/VA traditional and reverse mortgage loans; and a private label program, also with GMHC, to expand and enhance the range of products and services available to bank customers.

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

DFS did not note other factors.

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

“Community development”:

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.

Community development loan

A loan that has 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.

Community development service

Service that has community development as its *primary purpose*, 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.

Geography

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

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 for borrowers is based on household or family income. 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.

Income level of individual or geography	% of the area median income
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 of \$1 million or less.

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas where, according to the 2000 U.S. 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 cases 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 represents 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.

Low-Income Housing Tax Credit (LIHTC)

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

New Markets Tax Credit (NMTC)

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

Qualified investment

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. 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.