



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

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2004

**Institution:** Northfield Savings Bank  
1731 Victory Boulevard  
Staten Island, NY 10314

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

## TABLE OF CONTENTS

|  | Section |
|--|---------|
| General Information .....                      | 1       |
| Overview of Institution's Performance .....    | 2       |
| Performance Context.....                       | 3       |
| Institution's Profile                          |         |
| Assessment Area                                |         |
| Performance Tests and Assessment Factors ..... | 4       |
| Lending Test                                   |         |
| Investment Test                                |         |
| Service Test                                   |         |
| Discrimination or Other Illegal Practices      |         |
| Process Factors                                |         |
| Other Factors                                  |         |
| Glossary .....                                 | 5       |

## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Northfield Savings Bank’s (“Northfield”) New York State operations 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, 2004.

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 areas (“LMI”), 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 are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

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

### **Overall Rating**

Northfield is rated "2," indicating a satisfactory record of helping to meet community credit needs.

### **Lending Test: - "High Satisfactory"**

- Lending levels reflect good responsiveness to assessment area credit needs. During the review period, HMDA-reportable loans increased 8.2% from 427 loans at the previous evaluation to 462 loans.
- The bank originated most of its loans within the assessment area. During the evaluation period, the bank extended 99.1% of its HMDA-reportable loans inside the assessment area.
- The geographic distribution of loans reflects adequate penetration in LMI areas. During the evaluation period, the bank extended 2.6% of HMDA-reportable loans in LMI areas. This reflects an increase of 100 basis points, or 63%, over the previous evaluation's 1.6%. Additionally, in 2003, the only year of the two-year evaluation period for which aggregate lending data was available, the bank underperformed the aggregate's 4.6% LMI penetration rate.
- During the evaluation period, the bank had a good penetration of 10% of loans to LMI borrowers. In 2003, the bank obtained an LMI penetration of 7.9% compared to the aggregate's 6.3%. For 2004, the LMI penetration rate increased 6.5 percentage points to 14.4%.
- The bank had a significant level of community development loans. Qualified community development loans totaled \$5.4 million, reflecting an increase of 170% since the previous evaluation.
- The bank makes limited use of innovative and/or flexible lending practices in serving assessment area credit needs.

### **Investment Test: - "Low Satisfactory"**

As of the evaluation date, the bank had \$2.3 million outstanding in qualified community development investments. This level of investments, which includes grants, reflects a decrease of 48% from the previous evaluation. New money comprises 71.5% of the total. None of the bank's qualified investments are considered innovative and/or complex.

### **Service Test: - "Outstanding"**

- The bank's retail delivery systems are readily accessible to all portions of the

assessment area. Although the bank has no locations in LMI census tracts, five branches, or 41.7%, of the bank's 12 banking offices are adjacent to LMI census tracts.

- The bank's alternative delivery systems are accessible to essentially all portions of the assessment area.
- Northfield did not open or close any branches in New York State during the evaluation period
- Services are tailored to the convenience and needs of the assessment area. All of Northfield's banking offices have 24-hour ATM service and extended hours of operations, including Saturdays. Four of these branches' extended business hours include Sundays. Additionally, seven of the bank's offices have drive-up facilities.
- Northfield provides a relatively high level of community development services. Officers and employees serve in community development organizations in financial roles.

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.

## PERFORMANCE CONTEXT

### **Institution's Profile:**

Chartered in 1887 as a mutual savings and loan association under the name of Northfield Building Loan and Savings Association, Northfield is now a New York State-chartered stock-form savings bank. The bank is located in Richmond County.

Northfield is a wholly-owned subsidiary of Northfield Holdings Corp., which in turn is 100% owned by NSB Holding Corp. ("NSBHC"), a two-tier holding company. In December 2002, NSBHC merged with Liberty Bancorp and expanded into New Jersey. As a result of this merger, Northfield now operates seven full service branches in Middlesex and Union Counties in New Jersey in addition to its operations in New York State. Northfield has 12 full service branch offices in Richmond County where the bank provides a broad range of services primarily to individuals and corporate clients.

Per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition (the Call Report) as of December 31, 2004, the bank reported total assets of \$1.6 billion, of which \$317.6 million were net loans and lease finance receivables.

| <b>TOTAL GROSS LOANS OUTSTANDING</b> |                |              |                |              |                |              |
|--------------------------------------|----------------|--------------|----------------|--------------|----------------|--------------|
| Loan Type                            | 2002           |              | 2003           |              | 2004           |              |
|                                      | \$000          | %            | \$000          | %            | \$000          | %            |
| 1-4 family residential               | 214,173        | 70.5         | 203,828        | 71.7         | 148,510        | 46.3         |
| Commercial Real Estate               | 64,257         | 21.2         | 56,456         | 19.9         | 126,469        | 39.4         |
| Multifamily Residential real Estate  | 19,105         | 6.3          | 17,313         | 6.1          | 12,506         | 3.9          |
| Loans to individuals                 | 3,509          | 1.2          | 3,972          | 1.4          | 4,104          | 1.3          |
| Construction & land development      | 2,207          | 0.7          | 2,178          | 0.8          | 27,898         | 8.7          |
| Commercial & industrial              | 376            | 0.1          | 377            | 0.1          | 1,303          | 0.4          |
| <b>Total Gross Loans</b>             | <b>303,627</b> | <b>100.0</b> | <b>284,124</b> | <b>100.0</b> | <b>320,790</b> | <b>100.0</b> |

The bank is primarily a residential and commercial real estate lender. As of December 31, 2004, Northfield reported 46.3% of its loans portfolio in 1-4 family loans, 39.4% in commercial real estate loans and 8.7% in construction and land development loans.

The composition of the bank's loans portfolio shows that between December 31, 2002 and December 31, 2004, 1-4 family residential loans decreased 30.7%. During the same period, commercial real estate loans almost doubled.

Northfield's network of branches in Richmond County provides 75.1% or \$780.1 million of the bank's deposits. According to the latest available comparative deposit data, dated June 30, 2004, the bank was the fifth largest of 10 deposit-taking institutions in Richmond County, with almost 10% of all deposits in the county.

Eight of the bank's nine competitors in the assessment area are larger regional or national

banks. None of these eight banks is headquartered in Richmond County and two of these account for 51.7% of the of 89 bank branches located on Staten Island.

The bank 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, 2002.

There are no legal or financial impediments that impact the institution’s ability to meet community credit needs.

**Assessment Area:**

Northfield’s assessment area remains unchanged since the previous evaluation and includes Richmond County in its entirety. Richmond County is the southernmost of the five counties that comprise New York City. According to the 2000 U.S. Census, this area consists of 110 census tracts, 14 or 12.7% of which are LMI. In 2004, the basis for determining the income level of census tracts was changed. The original release of 2000 census data showed 10 LMI census tracts in the county.

The following table depicts the assessment area’s distribution of census tracts for 2004 and 2003.

| Distribution of Census Tracts Within the Assessment Area |   |      |     |          |        |       |       |      |
|--|---|------|-----|----------|--------|-------|-------|------|
|  |   | Zero | Low | Moderate | Middle | Upper | Total | LMI% |
| 2003   | # | 2    | 3   | 7        | 25     | 73    | 110   | 9.1  |
|  | % | 1.8  | 2.7 | 6.4      | 22.7   | 66.4  | 100.0 |      |
| 2004   | # | 2    | 3   | 11       | 29     | 65    | 110   | 12.7 |
|  | % | 1.8  | 2.7 | 10.0     | 26.4   | 59.1  | 100.0 |      |

The assessment area appears reasonable based upon the location of the bank’s branches and its lending patterns. There is no evidence that LMI areas are arbitrarily excluded.

*Demographics*

Population

According to the 2000 U.S. Census, Richmond County had a population of 444 thousand, up 17.1% from 379 thousand in 1990. In 2000, there were 115 thousand families and 156 thousand households in the county. Statistical data on population showed that persons over 65 comprised 11.6% of the total while persons under 16 comprised 22.7%.

Income Characteristics

According to the 2000 U.S. Census, the median family income in Richmond County was \$65 thousand. The weighted average of the HUD updated MSA median family income was \$57 thousand in 2004 and \$52 thousand in 2003. Ten percent of the county’s households

were living below the poverty level.

In 2000, 13.9% of families living in the assessment area were low-income, 11.0% were moderate-income, 16.8% were middle-income and 58.3% were upper-income. Based on revisions to the census data in 2004, the distribution of low, moderate, middle and upper-income families living in the assessment area changed to 15.0%, 12.1%, 18.0% and 54.9%, respectively. There were 29 thousand LMI families living in Richmond County and 17.5% of these were living in LMI census tracts in 2000. Based on the data revisions, there were 31 thousand families, of which 19.0% lived in LMI tracts.

### Housing Characteristics

According to the 2000 U.S. Census, there were 164 thousand housing units in Richmond County comprising 86.0% 1-4 family units and 14.0% multifamily units. Owner-occupied units represent 61.0% of all housing units. Of the owner-occupied units, 0.5% was in low-income tracts, 3.8% were in moderate-income tracts, 18.4% were in middle-income and 77.3% were in upper-income tracts. There were 60 thousand, or 37.0%, rental units in the county. Five percent of total housing units were vacant.

### Unemployment Data

According to the U.S. Department of Labor, the Richmond County's average unemployment rate was 6.0% in 2004. This unemployment rate was higher than the 5.5% rate for New York State and lower than the 6.7% rate for New York City.

## **PERFORMANCE TESTS AND ASSESSMENT FACTORS**

*The Banking Department assesses a large bank's CRA performance by evaluating its lending, investment and service activities using the lending, investment and service tests provided for in Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board.*

The assessment period comprises 2003 and 2004. Aggregate data for 2003 was obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc.'s CRA WIZ, a third party vendor. As of the evaluation date, 2004's aggregate lending data was not yet available. The demographic data referenced in the evaluation were obtained from the 2000 U.S. Census. Updated MSA median family income figures were provided by HUD.

To evaluate the bank's performance examiners reviewed Home Mortgage Disclosure Act (HMDA)-reportable loans.

### **I. Lending Test: "High Satisfactory"**

*The bank's lending performance is evaluated pursuant to the following criteria: (1) Lending Activity; (2) Geographic Distribution; (3) Borrower Characteristics; (4) Community Development Lending; and (5) Innovative or Flexible Lending Practices.*

#### **Lending Activity: - "High Satisfactory"**

Lending levels reflect good responsiveness to assessment area credit needs.

In 2003, among 308 lenders offering HMDA-reportable loans in Richmond County, Northfield ranked 19th with a market share of 1.25%. In terms of total dollar volume, the bank ranked 27th with a market share of 0.79%. The average loan size was \$131 thousand. The 25 top lenders with the leading market share include larger regional and national consumer lending institutions. The three leading lenders had market shares of 12.65%, 9.96% and 7.20%, respectively, based on number of loans.

During the review period, HMDA-reportable loans increased 8.2% from 427 loans at the previous evaluation to 462 loans. However, between 2003 and 2004 there was a decrease in the number of originations from 316 to 146 due to a significant 69.9% decline in refinancing activity.

In 2003, the bank originated 316 HMDA-reportable loans inside the assessment area. The loans consisted of 82% refinance loans and 18% home purchase loans. In 2004, total originations inside the assessment area decreased 53.8% to 146 loans comprising 53.4% refinancing, 36.3% home purchase and 10.3% home improvement loans.

The following table shows the distribution of the bank's HMDA-reportable loans by type during the evaluation period:

| Loan Activity by Type |            |              |               |              |            |              |               |              |            |              |               |              |
|-----------------------|------------|--------------|---------------|--------------|------------|--------------|---------------|--------------|------------|--------------|---------------|--------------|
| Type                  | 2003       |              |               |              | 2004       |              |               |              | Total      |              |               |              |
|                       | #          | %            | \$*           | %            | #          | %            | \$*           | %            | #          | %            | \$*           | %            |
| Home Purchase         | 57         | 18.0         | 12,753        | 30.8         | 53         | 36.3         | 11,988        | 46.9         | 110        | 23.8         | 24,741        | 37.0         |
| Home Improvement      | 0          | 0.0          | 0             | 0.0          | 15         | 10.3         | 1,915         | 7.5          | 15         | 3.2          | 1,915         | 2.9          |
| Refinancing           | 259        | 82.0         | 28,642        | 69.2         | 78         | 53.4         | 11,652        | 45.6         | 337        | 73.0         | 40,294        | 60.1         |
| <b>Total</b>          | <b>316</b> | <b>100.0</b> | <b>41,395</b> | <b>100.0</b> | <b>146</b> | <b>100.0</b> | <b>25,555</b> | <b>100.0</b> | <b>462</b> | <b>100.0</b> | <b>66,950</b> | <b>100.0</b> |

\*In thousands

### Assessment Area Concentration: “Outstanding”

Most loans are made in the bank’s assessment area.

During the evaluation period, the bank extended 462, or 99.1%, of its HMDA-reportable loans inside the assessment area. In terms of dollar volume, the assessment area concentration was 97.4%.

In 2003, the bank originated 99.4% of HMDA-reportable loans inside the assessment area. Similarly, in 2004, the assessment area concentration of HMDA-reportable loans was exceptionally high at 98.6%.

The following table depicts the distribution of HMDA-reportable loans during the evaluation period:

| Distribution of Loans Inside and Outside the Assessment Area |                 |             |          |            |            |                         |             |              |            |               |
|--|-----------------|-------------|----------|------------|------------|-------------------------|-------------|--------------|------------|---------------|
|  | Number of Loans |             |          |            | Total      | Dollars in Loans (000s) |             |              |            | Total         |
|  | Inside          |             | Outside  |            |            | Inside                  |             | Outside      |            |               |
|  | #               | %           | #        | %          |            | \$                      | %           | \$           | %          |               |
| HMDA-Reportable  |                 |             |          |            |            |                         |             |              |            |               |
| 2003   | 316             | 99.4        | 2        | 0.6        | 318        | 41,395                  | 99.5        | 217          | 0.5        | 41,612        |
| 2004   | 146             | 98.6        | 2        | 1.4        | 148        | 25,555                  | 94.3        | 1,535        | 5.7        | 27,090        |
| <b>Total</b>   | <b>462</b>      | <b>99.1</b> | <b>4</b> | <b>0.9</b> | <b>466</b> | <b>66,950</b>           | <b>97.4</b> | <b>1,752</b> | <b>2.6</b> | <b>68,702</b> |

### Geographic Distribution of Loans: “Low Satisfactory”

The geographic distribution of loans reflects adequate penetration in LMI areas.

During the evaluation period, in terms of number of loans, the bank extended 2.6% of HMDA-reportable loans in LMI areas. This rate of lending reflects an increase of 100 basis points, or 63%, over the previous evaluation’s 1.6%.

The following table shows the distribution of HMDA-reportable loans by geography income level for 2003.

For performance context consideration, the level of owner-occupied housing units in each census tract income category is included. For further comparison, aggregate lending data is also included.

| Distribution of HMDA-Reportable Loans by Geography Income Level* |                               |                                |            |              |               |              |
|--|-------------------------------|--------------------------------|------------|--------------|---------------|--------------|
| Census Tract Income Level  | Aggregate Lending Data % of # | % Owner-Occupied Housing Units | 2003       |              |               |              |
|  |                               |                                | Bank       |              |               |              |
|  |                               |                                | #          | %            | \$**          | %            |
| Low  | 0.7                           | 0.5                            | 0          | 0.0          | 0             | 0.0          |
| Moderate   | 3.9                           | 3.2                            | 7          | 2.2          | 1,016         | 2.5          |
| <b>LMI</b>   | <b>4.6</b>                    | <b>3.7</b>                     | <b>7</b>   | <b>2.2</b>   | <b>1,016</b>  | <b>2.5</b>   |
| Middle   | 14.4                          | 12.0                           | 39         | 12.3         | 4,030         | 9.7          |
| Upper  | 81.0                          | 84.3                           | 270        | 85.5         | 36,349        | 87.8         |
| <b>Total</b>   | <b>100.0</b>                  | <b>100.0</b>                   | <b>316</b> | <b>100.0</b> | <b>41,395</b> | <b>100.0</b> |

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

\*\* In thousands.

In 2003, the bank's LMI penetration rate was 2.2%, which is lower than the 3.7% level of owner-occupied housing units in LMI census tracts. This level of LMI lending was also lower than the aggregate's LMI penetration rate of 4.6% in 2003.

The following table represents 2004's distribution of the bank's HMDA-reportable loans by geography income level.

| Distribution of HMDA-Reportable Loans by Geography Income Level* |                                |            |              |               |              |
|--|--------------------------------|------------|--------------|---------------|--------------|
| Census Tract Income Level  | % Owner-occupied Housing Units | 2004       |              |               |              |
|  |                                | Bank       |              |               |              |
|  |                                | #          | %            | \$**          | %            |
| Low  | 0.5                            | 0          | 0.0          | 0             | 0.0          |
| Moderate   | 3.8                            | 5          | 3.4          | 531           | 2.1          |
| <b>LMI</b>   | <b>4.3</b>                     | <b>5</b>   | <b>3.4</b>   | <b>531</b>    | <b>2.1</b>   |
| Middle   | 18.4                           | 37         | 25.3         | 5,209         | 20.4         |
| Upper  | 77.3                           | 104        | 71.3         | 19,815        | 77.5         |
| <b>Total</b>   | <b>100.0</b>                   | <b>146</b> | <b>100.0</b> | <b>25,555</b> | <b>100.0</b> |

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

\*\* In thousands.

In 2004, the bank's LMI penetration rate of 3.4% was lower than the level of owner-occupied housing units in LMI areas. This LMI penetration rate represents an increase of almost 55%, or 120 basis points above 2003's LMI penetration rate. In light of the level of LMI census tracts and competition within the assessment area, the bank's performance was adequate in both years.

## Borrower Characteristics: “High Satisfactory”

The distribution of HMDA-reportable loans reflects good penetration among the bank’s LMI customers. During the evaluation period, the bank extended 10% of its loans to LMI borrowers. In light of the demographic, income and other performance context characteristics, this level of lending demonstrates that the bank is more than adequately serving the credit needs of LMI borrowers.

The following table depicts the distribution of HMDA-reportable loans by borrower income levels during 2003. The percentage of total families in each income category and aggregate lending data are included for comparative analysis.

| Distribution of HMDA-Reportable Loans by Borrower Income Level* |                  |                        |            |              |
|---|------------------|------------------------|------------|--------------|
| Borrower Income Level   | % Total Families | Aggregate Lending Data | 2003       |              |
|   |                  |                        | Bank       |              |
|   |                  |                        | #          | %            |
| Low   | 13.9             | 0.9                    | 3          | 0.9          |
| Moderate  | 11.0             | 5.4                    | 22         | 7.0          |
| <b>LMI</b>  | <b>24.9</b>      | <b>6.3</b>             | <b>25</b>  | <b>7.9</b>   |
| Middle  | 16.8             | 19.6                   | 66         | 20.9         |
| Upper   | 58.3             | 63.9                   | 225        | 71.2         |
| N/A   |                  | 10.2                   | 0          | 0.0          |
| <b>Total</b>  | <b>100.0</b>     | <b>100.0</b>           | <b>316</b> | <b>100.0</b> |

\* Borrower income level is based upon the Department of Housing and Urban Development’s annual estimate of median family income (“MFI”) figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA MFI, moderate-income is 50% to <80%, middle-income is 80% to <120% and upper-income is at least 120%.

\*\* In thousands.

The bank’s lending data shows that in 2003 Northfield obtained an LMI penetration of 7.9%. This compares favorably to the aggregate’s LMI penetration rate of 6.3%, which was 160 basis points less. Further, the bank’s LMI penetration rate compares reasonably to the 24.9% level of LMI families inside the assessment area.

The following table depicts the distribution of HMDA-reportable loans by borrower income levels during 2004. As of the evaluation date, aggregate lending data was not available for 2004.

| Distribution of HMDA-Reportable Loans by Borrower Income Level* |                  |            |              |
|---|------------------|------------|--------------|
| Borrower Income Level   | % Total Families | 2004       |              |
|   |                  | Bank       |              |
|   |                  | #          | %            |
| Low   | 14.98            | 4          | 2.7          |
| Moderate  | 12.10            | 17         | 11.7         |
| <b>LMI</b>  | <b>27.08</b>     | <b>21</b>  | <b>14.4</b>  |
| Middle  | 18.03            | 41         | 28.1         |
| Upper   | 54.88            | 84         | 57.5         |
| <b>Total</b>  | <b>100.0</b>     | <b>146</b> | <b>100.0</b> |

\* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income ("MFI") figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA MFI, moderate-income is 50% to <80%, middle-income is 80% to <120% and upper-income is at least 120%.

\*\* In thousands.

In 2004, the bank's LMI penetration rate increased 6.5 percentage points to 14.4%. At this level, the bank's LMI penetration rate was approximately half the 27.1%% level of LMI families living within the assessment area. In light of the demographic, income and credit needs of the assessment area, this level of lending to LMI borrowers indicates more than adequate responsiveness to the credit needs within the assessment area.

### Community Development Lending Activities: - "Outstanding"

The bank has a significant level of community development loans. As of the evaluation date, qualified community development loans totaled \$5.4 million, reflecting an increase of 170% since the previous evaluation. New money accounted for \$3.7 million, or 69%, of the bank's community development loans. Additionally, of the total amount of qualified community development loans, 93.4% funded affordable housing initiatives, 2% community services and 4.6% economic development. The following table depicts the bank's community development lending activities:

| Qualified Community Development Lending Activity* |                 |              |                        |              |
|---|-----------------|--------------|------------------------|--------------|
| Loan Description                                  | Number of Loans | % of #       | Dollar Volume of Loans | % of \$      |
| Affordable Housing                                | 6               | 75.0         | 5,016                  | 93.4         |
| Economic Development                              | 1               | 12.5         | 250                    | 4.6          |
| Community Service                                 | 1               | 12.5         | 107                    | 2.0          |
| <b>Total</b>                                      | <b>8</b>        | <b>100.0</b> | <b>5,373</b>           | <b>100.0</b> |

\* In thousands

The following are examples of the bank's qualified community development loans:

- In August 2004, the bank extended a \$3.5 million loan to Leewood-Richmond Terrace LLC to construct 51 units of affordable housing. The principal of Leewood-Richmond Terrace LLC has developed more than 4 thousand home and apartments throughout New York City. Half were completed in conjunction with New York City Housing Partnership.

- In November 2004, the bank renewed a \$250 thousand line of credit to the New York Business Development Corporation. The line has been outstanding since 1999.
- In October 2002, the bank refinanced Staten Island Center for Independent Living's existing debt of \$420 thousand. The organization assists the blind to live independently in the community and assists them in obtaining affordable housing as well as providing social and economic assistance.

### **Innovative or Flexible Lending Practices: - "Low Satisfactory"**

During the evaluation period, the bank made limited use of innovative and/or flexible lending practices in serving assessment area credit needs.

In October 2004, the bank introduced Freddie Mac's Alt 97 and AG97 Community Home-Buyer's Program. There were no originations under this program during the evaluation period.

### **II. Investment Test: - "Low Satisfactory"**

*The 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; 3) the responsiveness of qualified investments to credit and community development needs; 4) the degree to which the qualified investments are not routinely provided by private investors.*

As of the evaluation date, the bank had \$2.3 million in qualified community development investments. This level of investments, which includes grants, reflects a decrease of 50% from the previous evaluation. New money comprises 71.5% of this evaluation's total.

To fulfill its community development objectives and serve the credit needs of the assessment area, the bank has consulted with a third party fund manager, the "CRA Fund," to find qualified investment opportunities inside the assessment area. Presently, none of the bank's qualified investments is considered innovative or complex.

The following table depicts the bank's qualified community development investments:

| <b>Qualified Community Development Investments and Grants (In Thousands)</b> |                    |                      |                   |              |              |
|--|--------------------|----------------------|-------------------|--------------|--------------|
| Particulars  | Affordable Housing | Economic Development | Community service | Total        | New Money    |
| CRA Fund   | 1,451              | 0                    | 0                 | 1,451        | 1,451        |
| Federal Home Loan Bank   | 128                | 0                    | 0                 | 128          | 128          |
| State Wide Zone Capital Corporation  | 0                  | 400                  | 0                 | 400          | 0            |
| Commercial Industrial Capital Corporation                                    | 0                  | 60                   | 0                 | 60           | 0            |
| Lower Eastside Peoples FCU   | 0                  | 100                  | 0                 | 100          | 0            |
| Community Capital Bank   | 0                  | 100                  | 0                 | 100          | 0            |
| Qualified Grants   | 0                  | 0                    | 76                | 76           | 76           |
| <b>Total</b>   | <b>1,579</b>       | <b>660</b>           | <b>76</b>         | <b>2,315</b> | <b>1,655</b> |

The following are examples of the bank's qualified community development investments:

- During the evaluation period, the bank invested \$1.5 million in targeted mortgage back securities supporting affordable housing development, 44.5% inside the assessment area and 55.47% in other areas of New York State.
- The bank has a \$400 thousand equity investment with the Statewide Zone Capital Corporation of New York ("SZCCNY"). The SZCCNY was formed to promote the development of new businesses, the expansion of existing businesses, and the development of human resources within the 51 participating economic development zones created under the New York State Economic Development Zones Act. Similar to New York Business Development Corporation's ("NYBDC") other programs, the proceeds from Statewide complement the financing provided by other lending institutions. NYBDC, one of the State's most qualified small business lenders, underwrites the loans and investments and otherwise manages the company.
- During the evaluation period, the bank invested \$128 thousand in the Federal Home Loan Bank of New York ("FHLBNY"). In 1989 Congress authorized the Federal Home Loan Bank of New York and the other Home Loan Banks to launch the Affordable Housing Program. Since then, the Home Loan Bank of New York, its 300 members and their not-for-profit community partners have joined to fund over 27 thousand new affordable housing units in the New York Bank's service area.
- The bank has a \$100 thousand certificate of deposit from Community Capital Bank ("CCB"). CCB is New York's first community development bank and a Treasury-designated Community Development Financial Institution. CCB supports affordable housing and economic development initiatives in low and moderate-income neighborhoods throughout New York City.
- The bank has a \$60 thousand equity investment with the Commercial & Industrial Capital Corporation (CICC). CICC was created by the Staten Island Economic Development Corporation to help Staten Island's certified North Shore Economic Development Zone (EDZ) business access capital needed to expand businesses or

make improvements.

### **III. Service Test: - “Outstanding”**

*The service Test evaluates the bank’s record of helping to meet the needs of its assessment area by analyzing both the availability and effectiveness of the bank’s systems for delivering retail banking services and the extend and innovativeness of its community development services.*

#### **Retail Banking Services: - “Outstanding”**

##### **Accessibility of Delivery Systems:**

The bank’s retail delivery systems are readily accessible to all portions of the assessment area. Although the bank has no location in LMI census tracts, five branches, or 41.7%, of the bank’s 12 banking offices located in Richmond County, are adjacent to LMI census tracts.

##### **Alternative Delivery Systems**

The bank’s alternative delivery systems are accessible to essentially all portions of the assessment area.

The following are important examples of the alternative delivery systems used by the bank:

- Northfield has a network of 18 ATMs located at the bank’s 12 Richmond County offices. The bank is a participant in the following ATM networks: NYCE, CIRRUS, PLUS, NOVUS and EXCHANGE. Northfield does not charge fees to its depositors for use of the ATMs.
- The bank use “FASTBanking” to enhance telephone service to its customers. Through this system, customers can obtain information about account balances, transfer money between accounts, make loan payments and obtain information about other bank services.
- Northfield’s electronic banking services include internet banking. This alternative delivery system includes a bill payment option and the ability to apply for mortgages.
- Northfield participates in the Electronic Benefits Transfer (EBT) program. Through this program recipients of public assistance can have funds directly deposited to ATMs.
- Northfield offers ‘Really Free Checking’ as an alternative account pursuant to Part 9.7 of the General Regulations of the Banking Board. This account is as advantageous to consumers as a standard basic banking account.

## **Changes in Branch Locations**

Northfield did not open or close any branch offices during the evaluation period.

## **Reasonableness of Business hours and Services in Meeting Assessment Area Needs**

Services are tailored to the convenience and needs of the assessment area.

All 12 of Northfield's banking offices in Richmond County have 24-hour ATM service and extended hours of operations, including Saturdays. Four of these branches' extended business hours to Sundays. Seven of the bank's 12 offices in Richmond County have drive-up facilities.

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

Northfield provides a relatively high level of community development services. Officers and employees of the bank participate or serve in various community development organizations in capacities that are financial in nature.

The following are examples of community development service provided by the bank and/or its officers:

- Northfield participates with a local college that offers retraining to dislocated workers free of charge through the Economic Dislocated Worker Assistance Adjustment Act (EDWAAA). This program is viewed as on-the-job training. After completion, participants are prepared for entry-level placement in accounting/bookkeeping jobs. The bank has been participating in this program since 1997 and has employed six graduates of the program..
- In conjunction with Skylight Center, a non-profit organization, the bank participates in a work program that assists adults with mental and emotional difficulties. Members of this program are employed by Northfield at its branches. Skylight Center assists adults who have experienced mental or emotional difficulties and runs a pre-vocational rehabilitation program as well as a housing program, which assists low-and moderate-income members in establishing a residence.
- Additionally, a senior executive of the bank is on the board of directors and the finance committee of the Sky Light Center which is a local non-profit organization
- A senior executive officer of the bank is a member of the finance and executive committees of Senior Housing Resources. This organization operates housing for low-income seniors on Staten Island.
- A senior executive of the bank is director of the Commercial and Industrial Capital Corporation (CICC) The purpose of the corporation is to operate as a Zone Capital Corporation and foster economic development in the North Shore (Staten Island) Economic Development Zone (EDZ) through the making of loans to commercial

enterprises operating in the EDZ which have been certified as EDZ businesses by an agency of the State of New York.

- A senior executive of the bank is a trustee of the Northfield Community Local Development Corporation (NCLDC). NCLDC offers programs to rehabilitate housing, provide tenant counseling and senior citizen social services, and to promote economic development. NCLDC has participated in the development of housing for low-income seniors and for low-to-moderate-income first-time homebuyers.

#### **IV. Discrimination or Other Illegal Practices**

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

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

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

The most recent regulatory compliance report concurrent with this assessment indicates a satisfactory performance in terms of adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discrimination or other illegal credit practices was noted.

#### **V. 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.**

The bank ascertains the credit needs of the community through active participation in Staten Island charities and civic groups and employee membership in these groups. For instance, the bank is an active participant in the Northfield Community Local Development Corporation which offers services to businesses and individuals on the island's north shore.

**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.**

Northfield advertises its credit products in newspapers.

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

The directors establish CRA and other policies and procedures, and oversee management's efforts to implement them through internal monitoring systems. The board is briefed monthly on all aspects of the bank's operations.

**VI. Other Factors**

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

None noted.

## GLOSSARY

### Aggregate

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

### Community Development

The term “community development” is defined to mean:

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

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

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

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

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

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

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

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

### **Demand-Adjusted Penetration Rate**

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area. Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

### **Demand-Adjusted Penetration Ratio**

A ratio that depicts geographic penetration of loans by comparing demand-adjusted lending in LMI areas with non-LMI areas. Mathematically, it is arrived at by dividing the demand-adjusted penetration rate in non-LMI areas into the demand-adjusted penetration rate in LMI areas and then expressed as a percentage.

A ratio of 100% means that the institution (or aggregate as appropriate) made an equal number of loans proportionally in LMI and non-LMI areas. Less than 100 percent would indicate less lending in LMI areas on the same basis compared to non-LMI areas, whereas over 100 percent would indicate a greater level of lending in LMI areas versus non-LMI areas.

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

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

### **Loans to Small Businesses**

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

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

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 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 nonmetropolitan 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 nonmetropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

### **LMI Individuals/Persons**

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide nonmetropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

### **Small Business Loans**

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