



**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: December 31, 2016

Institution: The Berkshire Bank
4 East 39th Street
New York, NY 10016

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

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of The Berkshire Bank (“TBB”) prepared by the New York State Department of Financial Services (the “Department” or “DFS”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2016.

Section 28-b of the New York State 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 (“GRS”) 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 such 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 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 (“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 State 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

The Department evaluated TBB under the intermediate small banking institution performance standards pursuant to Parts 76.7 and 76.12 of the GRS. The Department evaluated TBB's performance in calendar years 2014, 2015 and 2016. TBB is rated "Needs to Improve" or "3." This rating means TBB needs to improve its record of meeting community credit needs.

The rating is based on the following factors:

Lending Test: "Needs to Improve"

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

TBB's average loan-to-deposit ("LTD") ratio was marginally adequate considering its size, business strategy, financial condition, and peer group activity.

TBB's average LTD ratio for the evaluation period was 52.5%, which was an improvement over the 46.9% it reported at the prior evaluation period. Nevertheless, TBB's average LTD ratio was well below its peer group's average LTD ratio of 79%.

Although TBB's average LTD ratio improved, it remained well below its peer group's ratio and was marginally adequate.

Assessment Area Concentration: "Satisfactory"

During the evaluation period, TBB originated 81.6% by number and 83.5% by dollar value of its HMDA-reportable and small business loans within its assessment area. This majority of lending inside of its assessment area was a reasonable record of lending.

Distribution by Borrowers Characteristics: "Needs to Improve"

TBB's HMDA-reportable and small business lending demonstrated a less than adequate distribution of loans among individuals of different income levels and businesses of different revenue sizes.

Geographic Distribution of Loans: "Needs to Improve"

The distribution of loans based on lending in census tracts of varying income levels demonstrated a less than adequate rate of lending.

Action Taken in Response to Written Complaints with Respect to CRA: "N/A"

Neither DFS nor TBB received any written complaints during the evaluation period regarding TBB's CRA performance.

Community Development Test: “Satisfactory”

TBB’s community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering TBB’s capacity and the need and availability of opportunities for community development in its assessment area.

Community Development Lending: “Outstanding”

During the evaluation period, TBB originated \$90.4 million in new community development loans and had \$17.1 million outstanding community development loans from the prior evaluation period. This demonstrated an excellent level of community development lending during the evaluation period.

Qualified Investments: “Satisfactory”

During the evaluation period, TBB made \$4.1 million in new community development investments and had \$10.1 million in outstanding community development investments from the prior evaluation period. This demonstrated a reasonable level of community development investments during the evaluation period.

Community Development Services: “Satisfactory”

TBB demonstrated a reasonable level of community development services by providing financial education and training to members of the community.

Responsiveness to Credit and Community Development Needs: “Satisfactory”

TBB demonstrated an adequate level of responsiveness to credit and community development needs through its qualified community development lending, investments and services. In addition, TBB offers flexible lending products and basic checking account with no monthly maintenance fee, free online banking, and bill pay.

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 GRS.

PERFORMANCE CONTEXT

Institution Profile

TBB is a New York State chartered commercial bank. It was established in 1989 and is headquartered in Manhattan. It is a wholly owned subsidiary of Berkshire Bancorp, Inc., a bank holding company. TBB has one subsidiary: Berkshire 1031 Exchange, LLC, a company that acts as a qualified intermediary for tax-free exchanges under section 1031 of the Internal Revenue Code of 1986.

Per the Consolidated Report of Condition (the "Call Report") as of December 31, 2016, filed with the Federal Deposit Insurance Corporation ("FDIC"), TBB reported total assets of \$685.4 million, of which \$331 million were net loans and leases, net of unearned income and allowances. It also reported total deposits of \$570.8 million, resulting in a loan-to-deposit ratio of 58%. Per the latest available comparative deposit data as of June 30, 2016, TBB had a market share of 0.05% (\$570.5 million in a market of \$1.2 trillion), ranking it 55th among the 123 deposit-taking institutions in Bronx, Kings, New York, Orange, Queens, and Sullivan Counties.

The following is a summary of TBB's loan portfolio, based on Schedule RC-C of the bank's December 31, 2014, 2015 and 2016 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	12/31/2014		12/31/2015		12/31/2016	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	75,925	25.0	72,630	22.3	63,385	18.6
Commercial & Industrial Loans	8,738	2.9	5,889	1.8	4,540	1.3
Commercial Mortgage Loans	172,936	56.9	178,376	54.7	184,890	54.4
Multifamily Mortgages	16,443	5.4	13,290	4.1	18,100	5.3
Consumer Loans	1,277	0.4	720	0.2	810	0.2
Construction Loans	28,358	9.3	46,200	14.2	52,479	15.4
Other Loans	36	0.0	58	0.0	9	0.0
Loans to non depository financial institutions	0	0.0	0	0.0	5,000	1.5
Lease financing	213	0.1	9,224	2.8	10,866	3.2
Total Gross Loans (net of unearned income)	303,926		326,387		340,079	

As illustrated in the above table, TBB is primarily a commercial lender with 54.4% of its loan portfolio in commercial mortgage loans, 15.4% in construction loans, and 1.3% in commercial & industrial loans.

TBB operates ten full-service banking offices and one limited-service banking office in New York. The full-service banking offices are in the following counties: three in New York, four in Kings, two in Orange, and one in Sullivan. TBB's limited-service branch is in Orange County and serves residents of the Gen Arden Life Care Retirement Community. TBB also operates one branch in Bergen County, New Jersey. TBB's

branch offices are supplemented by an ATM network consisting of ATMs at each branch, except for the Glen Arden branch.

Examiners did not find evidence of financial or legal impediments that had an adverse impact on TBB's ability to meet the credit needs of its community.

Assessment Area

TBB's New York assessment area (last revised on February 25, 2014) is comprised of the following counties in their entirety: Bronx, Kings, Queens, New York, and Orange. The assessment area also includes a portion of Sullivan County.

There are 2,146 census tracts in the assessment area, of which 338 are low-income, 635 are moderate-income, 632 are middle-income, 480 are upper-income, and 61 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	10	143	97	60	29	339	70.8
Kings	13	125	295	213	115	761	55.2
New York	12	44	61	25	146	288	36.5
Orange	0	5	10	17	47	79	19.0
Queens	26	21	169	314	139	669	28.4
Sullivan*	0	0	3	3	4	10	30.0
Total	61	338	635	632	480	2,146	45.3

**Partial county*

Demographic & Economic Data

The assessment area had a population of 8.1 million during the examination period. Approximately 11.8% of the population were over the age of 65 and 19.2% were under the age of sixteen.

Of the 1.8 million families in the assessment area, 31.9% were low-income, 17.4% were moderate-income, 16.6% were middle-income, and 34.1% were upper-income. There were 3.0 million households in the assessment area, of which 18.1% had income below the poverty level and 4.1 % were on public assistance.

The weighted average median family income in the assessment area was \$65,118.

There were 3.3 million housing units within the assessment area, of which 39.5% were one-to-four family units and 60.1% were multifamily units. A majority (61.1%) of the area's housing units were rental-occupied, while 29.7% were owner-occupied units.

Of the 989,135 owner-occupied housing units, 25.2% were in low- and moderate-income census tracts while 74.8% were in middle- and upper-income census tracts. The median age of the housing stock was 70 years, and the median home value in the assessment area was \$518,648.

There were 520,134 non-farm businesses in the assessment area. Of these, 75.9% were businesses with reported revenues of less than or equal to \$1 million, 6.4% reported revenues of more than \$1 million and 17.7% did not report their revenues. Of the businesses in the assessment area, 83.6% had less than fifty employees while 91.9% operated from a single location. The largest industries in the area were services (49.9%), followed by retail trade (15.7%) and finance, insurance & real estate (9.1%), while (7.7%) of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State and every county in the assessment area declined from 2014 to 2015. This decline in unemployment rates is indicative of improving economic conditions. Bronx County's unemployment rates are the highest and remain well above the rates of the other counties and New York State, while Orange County's rates were consistently the lowest.

Assessment Area Unemployment Rate							
	Statewide	Bronx	New York	Kings	Queens	Orange	Sullivan*
2014	6.3	9.8	6.1	7.6	6.4	5.5	6.5
2015	5.3	7.8	4.9	5.9	5	4.7	5.4
Average	5.8	8.8	5.5	6.8	5.7	5.1	6.0

Community Information

As a part of the evaluation, an examiner conducted a community contact interview with the executive director of a local not-for-profit development corporation. The organization serves the residents and businesses of the Washington Heights, Inwood and Harlem communities of northern Manhattan. The organization offers various programs that assist existing, start-up, and micro-businesses in being successful. The organization also has a specific program for local childcare providers. The organization is also an US Treasury approved Community Development Financial Institutions providing small and micro-business lending in its communities.

The executive director of the organization noted that one of the most pressing issues is the lack of small business lending by financial institutions in the community. The executive director also mentioned the lack of affordable commercial space for small businesses and affordable housing for residents, many of whom are immigrants. Thus, many are priced out of the market for commercial space and housing. The executive director noted that local banks could do more community development activities within the area.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated TBB under the intermediate small banking institution performance standards in accordance with Parts 76.7 and 76.12 of the GRS, which consist of the lending test and the community development test.

The lending test includes:

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

The community development test includes:

- 1. Community development lending;*
- 2. Qualified investments;*
- 3. Community development services; and*
- 4. Responsiveness to community development needs.*

DFS also considered the following factors in assessing TBB'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.*

DFS derived statistics employed in this evaluation from various sources. TBB submitted bank-specific information both as part of the examination process and on its Call Report. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS calculated LTD ratios from information shown in the Bank's Uniform Bank Performance Report, as submitted to the FDIC.

DFS derived demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet update annually. DFS obtained unemployment data from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and DFS used this information even where TBB's assessment area includes partial counties.

The assessment period included calendar years 2014, 2015 and 2016.

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

TBB is not required to report small business/small farm loan data, so TBB's small business and small farm lending is not included in the aggregate data. The aggregate data are shown only for comparative purposes.

TBB is primarily a commercial lender; however, while small business loans represented 64.5% by number of all loans originated in the assessment area, such loans only represented 28.1% by dollar value of loans.

At its **prior** Performance Evaluation, as of December 31, 2013, TBB received a "Satisfactory" rating by the New York State Department of Financial Services, reflecting a reasonable record of helping to meet community credit needs.

Current CRA Rating: "Needs to Improve"

Lending Test: "Needs to Improve"

TBB's HMDA-reportable and small business lending activities were less than adequate in light of TBB's size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of the assessment area.

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

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

TBB's average LTD ratio for the evaluation period was 52.5%, which was an improvement over the 46.9% it reported during the prior evaluation period. Nevertheless, TBB's average LTD ratio was well below its peer group^[1]'s average LTD ratio of 79%. The gap between TBB's ratio and its peer group's ratio also slightly improved to 26.5 percentage points lower than its peer group compared to 28 percentage points lower than its peer group during the prior evaluation period.

Although TBB's average LTD ratio has improved and the ratio trended above 50% for the last six quarters of the evaluation period, it remained well below its peer group's ratio and was marginally adequate.

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

^[1] Peer Group for this bank is 5, consisting of "insured commercial bank having assets between \$300 million and \$1 billion" and located throughout the United States.

Loan-to-Deposit Ratios													
	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q2	2016 Q4	Avg.
Bank	50.7	48.6	48.4	48.0	48.7	46.9	51.5	54.4	57.1	59.3	58.7	58.0	52.5
Peer	74.8	77.0	77.6	78.3	77.4	79.3	79.8	80.1	80.0	81.3	81.2	81.1	79.0

Assessment Area Concentration: "Satisfactory"

TBB originated 81.6% by number, and 83.5% by dollar value of HMDA-reportable and small business loans within its assessment area. This majority of lending inside of its assessment area was a reasonable concentration of lending.

HMDA-Reportable Loans

TBB originated 78.6% by number and 90.7% by dollar value of its HMDA-reportable loans within its assessment area. This majority of lending inside of its assessment area reflected a reasonable concentration of lending.

Small Business Loans

TBB originated 83.3% by number and 69.4% by dollar value of its small business loans within its assessment area. This majority of lending inside of its assessment area reflected a reasonable concentration of lending.

The following table shows the percentages of TBB's HMDA-reportable and small business loans originated inside and outside of its 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										
2014	2	100.0%	-	0.0%	2	1,805	100.0%	-	0.0%	1,805
2015	2	50.0%	2	50.0%	4	2,865	85.5%	485	14.5%	3,350
2016	7	87.5%	1	12.5%	8	5,484	90.9%	550	9.1%	6,034
Subtotal	11	78.6%	3	21.4%	14	10,154	90.7%	1,035	9.3%	11,189
Small Business										
2014	7	77.8%	2	22.2%	9	1,325	51.5%	1,250	48.5%	2,575
2015	6	85.7%	1	14.3%	7	1,300	83.9%	250	16.1%	1,550
2016	7	87.5%	1	12.5%	8	1,349	84.4%	250	15.6%	1,599
Subtotal	20	83.3%	4	16.7%	24	3,974	69.4%	1,750	30.6%	5,724
Grand Total	31	81.6%	7	18.4%	38	14,128	83.5%	2,785	16.5%	16,913

Distribution by Borrower Characteristics: “Needs to Improve”

TBB’s HMDA-reportable and small business lending demonstrated a less than adequate distribution of loans among individuals of different income levels and businesses of different revenue sizes.

HMDA-Reportable Loans

TBB’s HMDA-reportable lending demonstrated a less than adequate distribution of loans among borrowers of different income levels.

During the evaluation period, TBB originated only ten 1-4 family HMDA loans within its assessment area. TBB originated eight of those ten loans to investors with no income reported. TBB made no HMDA loans to low- or moderate-income (“LMI”) borrowers, while the aggregate originated 9.7% by number and 4.9% by dollar value of loans to LMI borrowers. The assessment area family demographics indicated that 49.3% of the families living in the area were low- or moderate-income families.

TBB’s low loan volume and the high level of loans without income makes a meaningful analysis difficult; however, considering the assessment area family demographics and the aggregate’s performance, TBB’s lack of lending to LMI borrowers reflects a less than adequate performance.

The following table provides a summary of TBB’s HMDA-reportable lending distribution by borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2014									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	1,144	2.6%	273,098	1.2%	31.9%
Moderate		0.0%		0.0%	3,662	8.2%	673,966	3.0%	17.4%
LMI	0	0.0%	0	0.0%	4,806	10.8%	947,064	4.2%	49.3%
Middle	1	50.0%	65	3.6%	8,147	18.3%	2,067,612	9.3%	16.6%
Upper		0.0%		0.0%	29,542	66.3%	17,063,515	76.3%	34.1%
Unknown	1	50.0%	1,740	96.4%	2,091	4.7%	2,271,671	10.2%	
Total	2		1,805		44,586		22,349,862		
2015									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	1,248	2.4%	342,483	1.2%	31.9%
Moderate		0.0%		0.0%	3,845	7.3%	743,614	2.7%	17.4%
LMI	0	0.0%	0	0.0%	5,093	9.7%	1,086,097	3.9%	49.3%
Middle		0.0%		0.0%	9,271	17.7%	2,503,060	8.9%	16.6%
Upper	1	50.0%	1,000	34.9%	34,018	64.9%	21,016,225	74.9%	34.1%
Unknown	1	50.0%	1,865	65.1%	4,064	7.7%	3,435,059	12.3%	
Total	2		2,865		52,446		28,040,441		
2016									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	1,116	1.9%	231,144	1.9%	31.9%
Moderate		0.0%		0.0%	4,017	6.9%	837,203	6.8%	17.4%
LMI	0	0.0%	0	0.0%	5,133	8.8%	1,068,347	8.7%	49.3%
Middle		0.0%		0.0%	10,363	17.8%	2,960,402	24.0%	16.6%
Upper		0.0%		0.0%	36,439	62.4%	3,392,489	27.5%	34.1%
Unknown	6	100.0%	3,234	100.0%	6,422	11.0%	4,927,622	39.9%	
Total	6		3,234		58,357		12,348,860		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	3,508	2.3%	846,725	1.3%	
Moderate	0	0.0%	0	0.0%	11,524	7.4%	2,254,783	3.6%	
LMI	0	0.0%	0	0.0%	15,032	9.7%	3,101,508	4.9%	
Middle	1	10.0%	65	0.8%	27,781	17.9%	7,531,074	12.0%	
Upper	1	10.0%	1,000	12.7%	99,999	64.4%	41,472,229	66.1%	
Unknown	8	80.0%	6,839	86.5%	12,577	8.1%	10,634,352	17.0%	
Total	10		7,904		155,389		62,739,163		

Small Business Loans

TBB's small business lending demonstrated a reasonable distribution of loans among businesses of different revenue sizes.

TBB originated 50.0% by number and 68.5% by dollar value of its small business loans to businesses with gross annual revenue of \$1 million or less. TBB's performance compared favorably to its aggregate's originations of 45.8% by number and 30.5% by

dollar value of loans. TBB and the aggregate trailed the business demographics of the assessment area which indicates that 85.3% of the businesses in the area have annual revenue of \$1 million or less.

The following table provides a summary of TBB's small business lending distribution based on revenue size of the business.

Distribution of Small Business Lending by Revenue Size of Business									
2014									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. < = \$1MM	3	42.9%	875	66.0%	77,983	41.7%	1,698,151	31.7%	71.5%
Rev. > \$1MM	3	42.9%	350	26.4%					5.9%
Rev. Unknown	1	14.3%	100	7.5%					22.6%
Total	7		1,325		186,981		5,363,707		
2015									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. < = \$1MM	3	50.0%	900	69.2%	103,038	49.4%	1,593,702	29.4%	75.9%
Rev. > \$1MM	2	33.3%	300	23.1%					6.4%
Rev. Unknown	1	16.7%	100	7.7%					17.7%
Total	6		1,300		208,378		5,417,932		
2016									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. < = \$1MM	4	57.1%	949	70.3%	98,421	45.7%	1,763,508	28.5%	85.3%
Rev. > \$1MM	2	28.6%	300	22.2%					7.5%
Rev. Unknown	1	14.3%	100	7.4%					7.2%
Total	7		1,349		215,590		6,191,250		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. < = \$1MM	10	50.0%	2,724	68.5%	279,442	45.7%	5,055,361	29.8%	
Rev. > \$1MM	7	35.0%	950	23.9%					
Rev. Unknown	3	15.0%	300	7.5%					
Total	20		3,974		610,949		16,972,889		

Geographic Distribution of Loans: "Needs to Improve"

TBB's origination of loans in census tracts of varying income levels demonstrated a less than adequate distribution of lending.

HMDA-Reportable Loans

TBB's distribution of HMDA-reportable loans based on the income level of the geography

demonstrated a less than adequate penetration of lending.

TBB originated only 11 HMDA-reportable loans during the evaluation period, which was well below the 31 loans it originated during the prior evaluation period. In 2014 and 2015 TBB originated only two loans each year. This low volume of loans makes a meaningful analysis difficult.

TBB did not originate any loans in low-income census tracts during the evaluation period. Although it originated five loans in moderate-income census tracts, four of these loans were originated in one year (2016). In 2014, TBB originated one loan in a moderate-income census tract and in 2015 it originated no loans in LMI census tracts.

The following table provides a summary of TBB's HMDA-reportable loans by the income level of the geography where the property was located.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2014									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	2,789	5.9%	2,762,367	8.5%	4.5%
Moderate	1	50.0%	1,740	96.4%	9,371	19.9%	6,418,727	19.7%	20.7%
LMI	1	50.0%	1,740	96.4%	12,160	25.8%	9,181,094	28.2%	25.2%
Middle		0.0%	0	0.0%	13,836	29.4%	6,390,355	19.6%	34.9%
Upper	1	50.0%	65	3.6%	20,998	44.6%	16,927,930	51.9%	39.9%
Unknown		0.0%		0.0%	77	0.2%	91,533	0.3%	0.0%
Total	2		1,805		47,071		32,590,912		
2015									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	3,139	5.7%	2,853,834	7.3%	4.5%
Moderate		0.0%		0.0%	10,688	19.4%	7,371,399	19.0%	20.7%
LMI	0	0.0%	0	0.0%	13,827	25.0%	10,225,233	26.3%	25.2%
Middle		0.0%		0.0%	16,487	29.9%	7,839,198	20.2%	34.9%
Upper	1	50.0%	1,000	34.9%	24,849	45.0%	20,782,035	53.4%	39.9%
Unknown	1	50.0%	1,865	65.1%	37	0.1%	38,782	0.1%	0.0%
Total	2		2,865		55,200		38,885,248		
2016									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	3,473	6.0%	3,288,877	7.8%	4.5%
Moderate	4	57.1%	2,156	39.3%	11,251	19.3%	8,288,037	19.5%	20.7%
LMI	4	57.1%	2,156	39.3%	14,724	25.2%	11,576,914	27.3%	25.2%
Middle		0.0%		0.0%	17,513	30.0%	8,646,086	20.4%	34.9%
Upper	3	42.9%	3,328	60.7%	26,088	44.7%	22,128,867	52.2%	39.9%
Unknown		0.0%		0.0%	32	0.1%	56,993	0.1%	0.0%
Total	7		5,484		58,357		42,408,860		
GRAND TOTAL									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	9,401	5.9%	8,905,078	7.8%	
Moderate	5	45.5%	3,896	38.4%	31,310	19.5%	22,078,163	19.4%	
LMI	5	45.5%	3,896	38.4%	40,711	25.3%	30,983,241	27.2%	
Middle		0.0%		0.0%	47,836	29.8%	22,875,639	20.1%	
Upper	5	45.5%	4,393	43.3%	71,935	44.8%	59,838,832	52.5%	
Unknown	1	9.1%	1,865	18.4%	146	0.1%	187,308	0.2%	
Total	11		10,154		160,628		113,885,020		

Small Business Loans

The distribution of TBB's small business loans among census tracts of varying income levels was less than adequate.

TBB originated 20 small business loans during the evaluation period, but originated only one loan each in a low- and moderate-income census tract. This is reflected in TBB's rates of lending in LMI geographies of 10.0% by number and 24.5% by dollar value, which were below its aggregate's rates of 31.3% and 28.4% respectively. Furthermore, while

the aggregate's rate of lending in LMI geographies was comparable to the assessment areas business demographics, TBB's rates were well below the demographics.

The following table provides a summary of TBB's small business loans by the income level of the geography where the business was located.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2014									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	14.3%	475	35.8%	21,344	11.4%	511,721	9.5%	11.1%
Moderate		0.0%		0.0%	40,491	21.7%	1,005,950	18.8%	22.5%
LMI	1	14.3%	475	35.8%	61,835	33.1%	1,517,671	28.3%	33.5%
Middle		0.0%		0.0%	41,797	22.4%	1,078,426	20.1%	21.7%
Upper	6	85.7%	850	64.2%	77,301	41.3%	2,481,516	46.3%	41.7%
Unknown		0.0%		0.0%	6,048	3.2%	286,094	5.3%	3.2%
Total	7		1,325		186,981		5,363,707		
2015									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	25,323	12.2%	528,367	9.8%	11.1%
Moderate		0.0%		0.0%	48,026	23.0%	979,828	18.1%	22.6%
LMI	0	0.0%	0	0.0%	73,349	35.2%	1,508,195	27.8%	33.8%
Middle		0.0%		0.0%	47,373	22.7%	1,055,135	19.5%	21.9%
Upper	6	100.0%	1,300	100.0%	81,221	39.0%	2,544,891	47.0%	41.2%
Unknown		0.0%		0.0%	6,435	3.1%	309,711	5.7%	3.1%
Total	6		1,300		208,378		5,417,932		
2016									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	24,966	11.6%	646,205	10.4%	11.1%
Moderate	1	14.3%	499	37.0%	48,278	22.4%	1,156,574	18.7%	22.5%
LMI	1	14.3%	499	37.0%	73,244	34.0%	1,802,779	29.1%	33.7%
Middle		0.0%		0.0%	49,303	22.9%	1,235,378	20.0%	21.9%
Upper	6	85.7%	850	63.0%	86,393	40.1%	2,823,491	45.6%	41.3%
Unknown		0.0%		0.0%	6,650	3.1%	329,602	5.3%	3.2%
Total	7		1,349		215,590		6,191,250		
GRAND TOTAL									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	5.0%	475	12.0%	71,633	11.7%	1,686,293	9.9%	
Moderate	1	5.0%	499	12.6%	136,795	22.4%	3,142,352	18.5%	
LMI	2	10.0%	974	24.5%	208,428	34.1%	4,828,645	28.4%	
Middle		0.0%		0.0%	138,473	22.7%	3,368,939	19.8%	
Upper	18	90.0%	3,000	75.5%	244,915	40.1%	7,849,898	46.2%	
Unknown		0.0%		0.0%	19,133	3.1%	925,407	5.5%	
Total	20		3,974		610,949		16,972,889		

Action Taken in Response to Written Complaints with Respect to CRA: "N/A"

Neither DFS nor TBB received any written complaints during the evaluation period regarding its CRA performance.

Community Development Test: “Satisfactory”

TBB’s community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community development loans, investments, and services, considering TBB’s capacity and the need and availability of opportunities for community development in its assessment area.

During the evaluation period, TBB had a total of \$107.5 million in community development loans and \$14.3 million in community development investments.

Community Development Lending: “Outstanding”

TBB originated \$90.4 million in new community development loans and had \$17.1 million in outstanding community development loans from the prior evaluation period. This demonstrated an excellent level of community development lending over the course of the evaluation period.

TBB’s increased its level of new community development lending by \$57 million, or 171%, from the prior period’s \$33.4 million. TBB’s ratio of annualized community development loans to average assets totaled 4.8% for the evaluation period.

The majority (63%) of TBB’s community development loans were for revitalization and stabilization efforts of LMI geographies; 31% were for community services and 6% were for economic development.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing				
Economic Development	1	3,100	1	1,861
Community Services	5	19,500	6	15,220
Other (Revitalize and Stabilize)	10	67,795		
Total	16	90,395	7	17,081

Below are highlights of TBB’s community development lending.

Economic Development

- TBB made a 10 year, \$3.1 million commercial mortgage loan for a newly constructed two-story hotel, with 31 rooms located in a middle-income census tract near JFK airport. The hotel will provide jobs for LMI individuals.

Community Services

- TBB originated a \$10 million mortgage loan to a for-profit organization that operates a nursing home that contains 143 beds. The home provides long-term care and short-term rehabilitation to its occupants. The organization receives approximately 60% of its revenue from Medicaid.
- TBB approved a mortgage of \$4 million to a limited liability company that owns a property that houses a New York City Public School that offers educational services to children from different census tracts, including children from LMI census tracts. The organization also offered nine months of free rent to the New York public school.

Revitalize and Stabilize

- TBB originated a loan of \$2.5 million to a for-profit organization to purchase a commercial property. This loan promotes revitalization and stabilization because it attracts and retains new and existing businesses. In addition, one of the tenants is a financial institution providing financial services to the residents of the community.
- TBB originated a \$17.4 million construction loan for an 8 story, 92 room hotel and adjacent medical building. The property is located in a low-income census tract in Brooklyn and will revitalize and stabilize the area as well as create jobs for LMI individuals.

Qualified Investments: “Satisfactory”

During the evaluation period, TBB made \$4.1 million in new community development investments and had \$10.1 million in outstanding community development investments from the prior evaluation period. TBB did not make community development grants during the evaluation period. TBB’s total of \$14.2 million in community development investments represented an annualized ratio of 0.65% of total average assets, and is a reasonable level of community development investments.

TBB’s community development investments consisted of the purchase of \$4.1 million in mortgage-backed securities secured by two multifamily buildings with a combined 100 rental units. The properties are in a LMI census tract and most of the tenants receive section 8 rent vouchers.

The following table illustrates TBB’s community development investments during the evaluation period.

Qualified Investments				
	This Evaluation Period		Outstanding from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	2	4,135	18	10,128
Economic Development				
Community Services				
Other (Please Specify)				
Total	2	4,135	18	10,128
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing				
Economic Development				
Community Services				
Other (Please Specify)				
Total	0			

Community Development Services: “Satisfactory”

TBB demonstrated a reasonable level of community development services during the evaluation period.

TBB’s management and staff delivers financial expertise to various community groups by providing financial education and training to members of the community.

Below are highlights of TBB’s community development services.

- The bank held 12 free seminars for senior citizens titled “Elder Financial Abuse” and “Identity Theft. The seminars were held at several locations mainly in low- and moderate-income neighborhoods within TBB’s assessment area. The seminars provided information on financial awareness and protecting against identity theft.
- TBB held a series of first-time homebuyers seminars. The seminars were hosted by a non-profit organization that provides services to low-income families. TBB provided information on the SONYMA loan program. The seminar also discussed things to consider as a first-time homebuyer.
- TBB’s CEO and president serves as co-president of a nonprofit organization. The organization assists people of all ages to effectively manage disability. The organization provides supportive housing, treatment and education to elevate lives and strengthen individuals.
- A TBB board member served as the chief financial officer of a nonprofit organization that provides comprehensive social services to aid and empower families, seniors and adults living in poverty or near-poverty.

Responsiveness to Community Development Needs: “Satisfactory”

TBB demonstrated a reasonable level of responsiveness to community development needs. TBB’s community development loans supported revitalization and stabilization efforts in LMI census tracts and its investments supported affordable housing projects. TBB also offers flexible lending products and basic checking account with no monthly maintenance fee, free online banking, and bill pay.

Additional Factors

The extent of participation by TBB’s board of directors or board of trustees in formulating CRA policies and reviewing CRA performance

TBB’s board is kept informed of CRA matters through quarterly CRA updates. The updates provide the board with information on its community development activity, including the number of loans, investments, donations and services made during the period that may qualify for CRA credit; however, it does not discuss TBB’s lending test performance.

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 examiners did not note evidence of practices by TBB intended to discourage applications for the types of credit offered by the bank.

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

DFS examiners did not note evidence of prohibited discriminatory or other illegal practices by TBB.

Record of opening and closing offices and providing services at offices

TBB did not open or close any branches during the evaluation period. TBB operates 11 branch offices in New York State (10 full service branches and one limited purpose branch); three branch offices are in in New York County, four in Kings County, three in Orange County and one in Sullivan County. All of the full-service branches have ATMs; the limited purpose branch serving the Glen Arden Life Care Retirement Community does not have an ATM.

Branch hours are 8:30am to 4:00pm Monday-Friday, except for the limited purpose branch. This branch is open Tuesday-Thursday from 9:30am-11:30am.

The table below shows the distribution of TBB's branch offices by the income level of the census tracts in which the branches are located.

Distribution of Branches within the Assessment Area							
County	N/A	Low	Moderate	Middle	Upper	Total	LMI
	#	#	#	#	#	#	%
New York					3	3	0%
Kings		1	1	2		4	50%
Orange				1	2	3	0%
*Sullivan					1	1	0%
Total	-	1	1	3	6	11	18%

Process Factors

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

TBB management ascertains the credit needs of its community by hosting seminars, attending various community events, and actively participating in managing or serving on the board of nonprofit community organizations.

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

TBB markets its services and products by advertising in local newspapers, placing ads on its website, and in its branch offices. TBB management and staff also attend various community events to promote the bank's products and services.

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 noted no 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

Small Business Loan

A small business loan is a loan less than or equal to \$1 million.

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.