



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

One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** June 30, 2018

**Institution:** Victory State Bank  
4142 Hylan Blvd.  
Staten Island, NY 10310

**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 Victory State Bank (“VSB” or the “Bank”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of June 30, 2018. This is the first evaluation conducted of the Bank under the intermediate small banking institution performance standards.

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

Part 76 of the General Regulations of the Superintendent (“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 the institution’s performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) Outstanding record of meeting community credit needs;
- (2) Satisfactory record of meeting community credit needs;
- (3) Needs to improve in meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary (“Evaluation”) be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York Banking Law.

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

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## OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated VSB according to the intermediate small bank performance criteria pursuant to Sections 76.7 and 76.12 of the GRS. The Department evaluated VSB's performance under the lending test in calendar years 2015, 2016, and 2017, and its performance under the community development test from January 1, 2015 to June 30, 2018. VSB is rated "**Satisfactory**" or "2." This rating means VSB had a satisfactory record of meeting community credit needs. This is the first evaluation DFS conducted of the Bank under the intermediate small banking institution performance standards.

The rating is based on the following factors:

**Lending Test:** "Satisfactory"

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

VSB's average loan-to-deposit ("LTD") ratio was less than adequate considering its size, business strategy, financial condition, and the LTD ratio of its peer group. VSB's average LTD ratio for the 12 quarters of the evaluation period was 38.7%, well below the peer group's ratio of 80%.

**Assessment Area Concentration:** "Satisfactory"

VSB originated 74.8% by number and 85.9% by dollar value of its small business lending within the assessment area, demonstrating a reasonable concentration of lending.

**Distribution by Borrower Characteristics:** "Outstanding"

VSB's small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes. VSB's average rate of lending to businesses with revenue size of \$1 million or less was 61.3% by dollar value, well above the aggregate's rate of 34.5%.

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

VSB's origination of small business loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

**Action Taken in Response to Written Complaints With Respect to CRA:** N/A

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

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**Community Development Test:** “Satisfactory”

**Community Development Loans:** “Satisfactory”

VSB made a total of \$1.63 million in community development loans, consisting of three renewable lines of credit and a term loan in support of community services, economic development and affordable housing. This demonstrated a reasonable level of community development lending.

**Qualified Investments:** “Needs to Improve”

VSB made no investments supporting community development and \$122,738 in grant supporting community development during the evaluation period. This demonstrated a less than adequate level of qualified investments.

**Community Development Services:** “Outstanding”

Considering its size, financial condition, business strategy and the presence of larger banks with greater financial resources in its assessment area, VSB demonstrated an excellent level of community development services over the course of the evaluation period.

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

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## PERFORMANCE CONTEXT

### Institution Profile

Chartered in New York in 1997, VSB is a commercial bank headquartered in Staten Island, Richmond County. VSB is a wholly-owned subsidiary of VSB Bancorp, a one-bank holding company formed in 2003.

VSB offers a variety of traditional deposit and lending products and banking services. Staten Island is the Bank's primary market area. VSB is primarily engaged in acquiring deposits and providing commercial loans to small businesses and professionals throughout Staten Island. In addition, VSB offers a few other distinctive deposit products such as its New York City Housing Authority checking, remote deposit capture, and Banking Development District ("BDD") checking and savings accounts catering to small businesses and LMI individuals and families.

In its Consolidated Report of Condition (the "Call Report") as of December 31, 2017, filed with the Federal Deposit Insurance Corporation ("FDIC"), VSB reported total assets of \$352 million, of which \$136 million were net loans and lease financing receivables. It also reported total deposits of \$318 million, resulting in an LTD ratio of 42.6%. According to the latest available comparative deposit data as of June 30, 2017, VSB had a market share of 2.55%, or \$324 million in a market of \$12.7 billion, ranking it 8<sup>th</sup> among 19 deposit-taking institutions in the assessment area.

The following is a summary of VSB's loan portfolio, based on Schedule RC-C of the bank's December 31, 2015, 2016, and 2017 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
Loan Type (1/1/2015 - 12/31/2017)	12/31/2015		12/31/2016		12/31/2017	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	7,896	7.5	8,996	7.1	11,881	8.6
Commercial & Industrial Loans	18,515	17.7	18,383	14.5	18,125	13.2
Commercial Mortgage Loans	51,985	49.6	60,669	48.0	68,693	50.0
Multifamily Mortgages	6,513	6.2	11,584	9.2	12,248	8.9
Consumer Loans	815	0.8	726	0.6	476	0.3
Construction Loans	18,379	17.5	25,396	20.1	25,351	18.4
Other Loans	639	0.6	704	0.6	745	0.5
<b>Total Gross Loans</b>	<b>104,742</b>	<b>100.0</b>	<b>126,458</b>	<b>100.0</b>	<b>137,519</b>	<b>100.0</b>

As illustrated in the above table, VSB is primarily a commercial lender, with 63.2% of its total loan portfolio in commercial mortgage loans and commercial & industrial loans, as of December 31, 2017. In addition, construction loans made up 18.4%, and multifamily mortgages made up 8.9%, of the loan portfolio.

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VSB operates five full-service branches, all located in Staten Island. VSB's branch network is supplemented by automated teller machines ("ATMs") located at every branch. All ATMs allow customers to make deposits and cash withdrawals and are accessible 24 hours a day and seven days a week, except for the ATM at the St. George branch which is only available during regular business hours. All branches have Saturday banking hours and one weekday with extended banking hours, except for the St. George branch which is only open Monday to Friday from 8:30 A.M. to 4:00 P.M.

*Examiners found no evidence of financial or legal impediments that had an adverse impact on VSB's ability to meet the credit needs of its community.*

### **Assessment Area**

The Bank's assessment area is comprised of Richmond County in its entirety.

There are 110 census tracts in the assessment area, of which 4 are low-income, 11 are moderate-income, 36 are middle-income, 56 are upper-income, and 3 tracts have no income indicated.

County	NA	Low	Mod	Middle	Upper	Total	LMI %
Richmond	3	4	11	36	56	110	13.6
Total	3	4	11	36	56	110	13.6

*The assessment area appears reasonable based upon the location of the bank's offices and its lending patterns. DFS found no evidence to indicate that VSB has arbitrarily excluded LMI areas.*

### **Demographic & Economic Data**

The assessment area had a population of 472,481 during the examination period. Approximately 14.1% of the population were over the age of 65 and 19.8% were under the age of 16.

Of the 122,752 families in the assessment area, 19.3% were low-income, 12.9% were moderate-income, 17.8% were middle-income, and 50% were upper-income. There were 165,784 households in the assessment area, of which 12.7% had income below the poverty level and 3.2% were on public assistance.

The weighted average median family income in the assessment area was \$87,457.

There were 178,136 housing units within the assessment area, of which 86.9% were

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one-to-four family units, and 12.8% were multifamily units. A majority (64%) of the area's housing units were owner-occupied, while 29.1% were rental units. Of the 114,000 owner-occupied housing units, 7% were in LMI census tracts while 93% were in middle- and upper-income census tracts. The median age of the housing stock was 49 years, and the median home value in the assessment area was \$435,007.

There were 25,392 non-farm businesses in the assessment area. Of these, 90.7% were businesses with reported revenues of less than or equal to \$1 million, 3.6% reported revenues of more than \$1 million, and 5.8% did not report their revenues. Of all the businesses in the assessment area, 98% had less than fifty employees while 93.8% operated from a single location. The largest industries in the area were services (50.3%), followed by retail trade (15%) and construction (9.3%); 7.2% 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 steadily decreased from 5.3% to 4.7% during the three-year evaluation period. Richmond County's unemployment rate also decreased during the evaluation period.

<b>Assessment Area Unemployment Rate</b>		
	Statewide	Richmond
2015	5.3	5.8
2016	4.8	5.2
2017	4.7	4.6

### **Community Information**

DFS examiners interviewed contacts at two local not-for-profit organizations: an economic development organization serving the business community of Staten Island, and a community-based organization helping the homeless or persons otherwise in need of shelter, food, health services, or transitional or permanent supportive housing.

Both community contacts stated that although much of Staten Island has exhibited significant signs of economic development, there is still a great disparity between the north shore and south shore areas in which the LMI and upper income neighborhoods respectively reside. Both contacts suggested financial institutions should increase their involvement in projects which directly affect LMI areas. Although there is participation from banks throughout the borough to help local communities, LMI neighborhoods often do not benefit from those efforts. The community contacts also stressed the importance of financial literacy education as the affordability crisis in LMI neighborhoods brings out the need for prudent money management.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*The Department evaluated VSB under the intermediate small banking institution performance standards in accordance with Sections 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 of loans 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. Community development investments;*
- 3. Community development services; and*
- 4. Responsiveness to community development needs.*

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

- 1. The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Evidence of 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. VSB submitted bank-specific information both as part of the examination process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS obtained LTD ratios from information shown in the Bank's Uniform Bank Performance Report, compiled by the FFIEC from Call Report data.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business demographic data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor.

The Department evaluated VSB's performance under the lending test in calendar years 2015, 2016, and 2017, and its performance under the community development test from January 1, 2015 to June 30, 2018.

Examiners considered VSB's small business loans in evaluating factors (2), (3), and (4) of the lending test noted above. Examiners did not consider VSB's home mortgage

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lending because it represented only a minimal portion of the Bank's portfolio.

As a small bank, VSB is not required to report small business loan data. Therefore, VSB's small business loan data are not included in the aggregate data, which are shown only for comparative purposes.

At its **prior** Performance Evaluation as of December 31, 2014 under the small bank performance standards, DFS assigned VSB a rating of "1" reflecting an "Outstanding" record of helping to meet the community credit needs.

For the current evaluation period, VSB was evaluated under the intermediate small banking institution performance standards.

**Current CRA Rating: " Satisfactory"**

**Lending Test:** "Satisfactory"

VSB's small business lending activities were reasonable in light of its size, business strategy, and financial condition, aggregate data and the demographic characteristics and credit needs of the assessment area, and VSB's competitive posture among banks offering the same loan products in its assessment area.

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

VSB's average LTD ratio was less than adequate considering its size, business strategy, financial condition, and the LTD ratio of its peer group. VSB's average LTD ratio for the 12 quarters of the evaluation period was 38.7%, well below the peer group's ratio of 80%. However, VSB's quarterly average LTD ratios improved from 35.8% in the first quarter of 2015 to 42.7% in the fourth quarter of 2017, making this evaluation period's average LTD of 38.7% better than the prior period's average of 31.7%.

The low LTD ratio when compared to peer ratio has not changed over the prior two evaluation periods (including the current period), spanning 2007 to 2017. VSB attributes this to significant competition from larger banks with greater financial resources for the type of loans that VSB offers.

Overall, VSB's loan portfolio grew by 103.4% when compared to the prior evaluation period due in large part to the significant increase in commercial mortgage loans and construction loans of 119% and 240.9%, respectively. VSB's multifamily loans also increased to \$12.2 million as of December 31, 2017; there were no multifamily loans as of January 1, 2015.

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

<b>Loan-to-Deposit Ratios</b>													
	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	Avg.
Bank	35.8	35.6	34.3	37.0	37.6	39.1	40.4	41.0	39.6	41.3	40.4	42.7	38.7
Peer	74.5	75.8	79.8	80.1	80.0	81.3	81.2	81.1	80.4	81.7	82.1	82.2	80.0

Assessment Area Concentration: “Satisfactory”

VSB originated 74.8% by number and 85.9% by dollar value of its small business loans within the assessment area during the evaluation period. This demonstrated a reasonable rate of lending inside the assessment area.

Compared to the prior evaluation period, VSB’s small business lending inside the assessment area declined 10.4% by number and 6.6% by dollar value. In addition, the number of loans originated inside the assessment area showed a declining trend from 82.3% in 2015 to 68% in 2017.

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

Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business										
2015	720	82.3%	155	17.7%	875	22,174	90.9%	2,225	9.1%	24,399
2016	584	72.1%	226	27.9%	810	21,008	82.0%	4,596	18.0%	25,604
2017	433	68.0%	204	32.0%	637	18,774	84.9%	3,330	15.1%	22,104
Subtotal	1,737	74.8%	585	25.2%	2,322	61,956	85.9%	10,151	14.1%	72,107
Grand Total	1,737	74.8%	585	25.2%	2,322	61,956	85.9%	10,151	14.1%	72,107

Distribution by Borrower Characteristics: “Outstanding”

VSB’s business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes.

VSB’s average rates of lending to small businesses with revenue of \$1 million or less of 76.6% by number and 61.3% by dollar value of loans exceeded its aggregate’s rates of 50.7% and 34.5%, respectively. VSB rates exceeded the aggregate’s rates of lending by number and dollar value of loans every year of the evaluation period.

The following table provides a summary of the distribution of VSB’s small business loans by the revenue size of the business.

<b>Distribution of Small Business Lending by Revenue Size of Business</b>									
<b>2015</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. < = \$1MM	579	80.4%	14,301	64.5%	4,492	51.0%	66,233	34.3%	83.6%
Rev. > \$1MM	141	19.6%	7,873	35.5%					3.2%
Rev. Unknown	0	0.0%	0	0.0%					13.2%
<b>Total</b>	<b>720</b>		<b>22,174</b>		<b>8,801</b>		<b>192,914</b>		
<b>2016</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. < = \$1MM	425	72.8%	12,077	57.5%	4,586	48.2%	67,370	32.3%	90.2%
Rev. > \$1MM	159	27.2%	8,931	42.5%					3.7%
Rev. Unknown	0	0.0%	0	0.0%					6.1%
<b>Total</b>	<b>584</b>		<b>21,008</b>		<b>9,524</b>		<b>208,492</b>		
<b>2017</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. < = \$1MM	327	75.5%	11,631	62.0%	5,123	52.8%	84,757	36.7%	90.7%
Rev. > \$1MM	106	24.5%	7,143	38.0%					3.6%
Rev. Unknown	0	0.0%	0	0.0%					5.8%
<b>Total</b>	<b>433</b>		<b>18,774</b>		<b>9,710</b>		<b>230,821</b>		
<b>GRAND TOTAL</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. < = \$1MM	1,331	76.6%	38,009	61.3%	14,201	50.7%	218,360	34.5%	
Rev. > \$1MM	406	23.4%	23,947	38.7%					
Rev. Unknown	0	0.0%	0	0.0%					
<b>Total</b>	<b>1,737</b>		<b>61,956</b>		<b>28,035</b>		<b>632,227</b>		

### Geographic Distribution of Loans: "Satisfactory"

VSB's origination of small business loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

VSB's average rate of small business lending in LMI geographies of 7.5% by number of loans underperformed the aggregate's rate by 0.3%, while its average rate of lending of 10.5% by dollar value of loans exceeded the aggregate's rate by 0.8%. VSB's lending in LMI geographies was mostly in moderate-income tracts. There were no loans originated in low-income tracts in 2015, five loans in 2016, and one loan in 2017. However, this was an improvement compared to the prior evaluation period where only one loan was originated in a low-income tract. .

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

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

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

**Community Development Test:** "Satisfactory"

Overall, VSB's community development performance demonstrated a reasonable level of responsiveness to the community development needs of its assessment area.

VSB's community development lending and community development services demonstrated a reasonable responsiveness to the community development needs of its assessment area, considering VSB's capacity, the need for and availability of opportunities for community development in its assessment area, and significant competition from larger banks with greater financial resources for the types of loans VSB offers. VSB made no community development investments during the evaluation period, but did make \$122,738 in grants to nonprofit organizations and business associations that provide an array of community services in the assessment area.

**Community Development Lending:** "Satisfactory"

VSB made a total of \$1.63 million in community development loans, consisting of three renewable lines of credit and a term loan in support of community services, economic development and affordable housing. This demonstrated a reasonable level of community development lending.

Below are highlights of VSB's community development lending:

- VSB extended an annual renewable line-of-credit of \$250,000 each year (a total of \$1,000,000) for the evaluation period to a preschool formed to provide training and instructions for the education and development of handicapped preschool children including physical health and nutritional, intellectual, emotional and social development. The school is approved and funded by the New York City Department of Education. VSB extended \$4.6 million in short-term advances on the line of credit over the course of the evaluation period to help provide working capital for the school.
- VSB extended an annual renewable line-of-credit of \$90,000 in 2016 and 2017 (total of \$180,000) to a nonprofit organization located in Staten Island. The organization provides first-time homebuyer education, down payment assistance, foreclosure counseling, and small business assistance. The nonprofit has also helped thousands of Staten Island residents make their homes and apartments safer and more energy efficient through its "New York State Sponsored Weatherization Assistance Program".
- VSB extended a \$400,000 fifteen-year term loan secured by a multifamily rental

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apartment building. A majority of the units in the property are rented below the Department of Housing and Urban Development's Fair Market Rents for the assessment area, providing affordable housing for Richmond County residents.

- VSB extended a \$50,000 line-of-credit to the New York Business Development Corporation ("NYBDC"). NYBDC is a privately-owned entity created by state law providing a broad range of financing to minority and women owned businesses and small- and mid-sized businesses located in New York State. NYBDC is funded by lines of credit provided by partner banks such as VSB.

#### Qualified Investments: "Needs to Improve"

VSB made no investments supporting community development during the evaluation period. Although VSB made \$122,738 in grants supporting community development during the evaluation period, VSB's total of investments and grants demonstrated a less than adequate level of qualified investments.

VSB made 15 grants totaling \$120,288 to non-profit organizations that provide an array of services to LMI individuals such as food, health services, shelter and transitional housing in its assessment area, while \$2,450 was expended for economic development purposes.

Below are examples of VSB's community development grants:

- VSB donated \$10,250 to a nonresidential resource center in Staten Island providing services to individuals of all ages and all levels of disability.
- VSB donated \$5,015 to a nonprofit organization providing services such as food, clothing, shelter, health, and transitional and permanent housing to persons in need.
- VSB contributed \$2,450 to two economic development organizations providing services to small businesses.

#### Community Development Services: "Outstanding"

VSB demonstrated an excellent level of community development services over the course of the evaluation period.

- In seven instances, VSB officers provided their financial expertise and leadership through board memberships in nonprofit organizations and associations promoting services to LMI individuals and small businesses in the Bank's assessment area. For example:
  - A bank officer served on the board of two associations promoting the needs

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of small businesses and economic development in Staten Island.

- Two VSB board members provided their legal expertise to a social services agency helping older adult residents.
- The CRA Officer is on the Board of a nonresidential resource center that offers services to individuals of all ages with all levels of disability.
- VSB was the first bank on Staten Island to accept New York City Housing Authority (“NYCHA”) rental payments. This service allows NYCHA tenants to pay a \$1.00 fee for each rent payment transaction, which represents an annual savings of up to 66% for NYCHA residents who might otherwise pay up to \$3 per transaction.
- The CRA Officer conducts financial literacy training in schools located in the delineated areas of its BDD branches.
- VSB also partnered with a non-profit organization to conduct financial literacy training.

#### Responsiveness to Community Development Needs

VSB demonstrated a reasonable level of responsiveness to credit and community development needs of its assessment area.

#### **Additional Factors**

**The extent of participation by the banking institution’s Board of Directors or Board of Trustees in formulating the banking institution’s policies and reviewing its performance with respect to the purposes of the CRA.**

The Board of Directors actively participates in formulating consumer compliance policies, including those relating to the Community Reinvestment Act. During the evaluation period, DFS examiners noted a review of the Bank’s compliance with CRA conducted by an independent third party auditing firm.

#### **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 practices by VSB intended to discourage applications for the types of credit offered by the bank.

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

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

### **Record of opening and closing offices and providing services at offices**

VSB operates five full-service branches throughout Richmond County, one of which houses a loan production office. None of the branches are located in the assessment area's four low-income or eleven moderate-income census tracts.

The St. George and the Rosebank locations are BDD branches, delineated as middle- and upper-income census tracts, respectively, due to economic developments and more people moving to Staten Island. These BDD branch locations were formerly in moderate- and middle-income census tracts. However, these BDD branches were adjacent to five moderate- and one low-income census tracts.

No branches were opened or closed during the examination period.

All branches are open from 8:30 A.M. to 4:00 P.M. Monday through Friday and, except for the St. George branch, remain open until 6:00 P.M. once a week and offer Saturday hours.

The table below shows the distribution of VSB's branches by census tract income level.

<b>Distribution of Branches within the Assessment Area</b>							
<b>County</b>	<b>N/A</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>Total</b>	<b>LMI</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>%</b>
Richmond	0	0	0	2	3	5	0%
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>0%</b>

### *Availability and effectiveness of alternative systems for delivering retail services*

All branches except for the St. George branch offer onsite ATM access which allow deposit/withdrawal 24 hours a day 7 days a week.

VSB also offers remote deposit capture technology provided through "Deposit Express" which allows customers to make deposits from anywhere they have internet access.

The Bank also offers ATM and Mastercard debit cards (with STAR and MasterCard networks), EMV chip enabled debit cards, internet banking, and mobile banking.

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## 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.*

VSB's board members and senior management team are involved in economic, emergency relief, nonprofit and community based organizations that provide a range of much needed services to residents of Staten Island including those in LMI census tracts and small business owners. VSB's long-term affiliation with these organizations enables them to ascertain the credit needs of its assessment area and offer financial expertise as needed.

- *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*

VSB's marketing activities are limited to organizations that board members, senior management, and employees are involved with; VSB uses historical relationships with small business to promote its products.

## **Other factors that in the judgment of the Superintendent bear upon the extent to which VSB is helping to meet the credit needs of its entire community**

VSB has two branches that are BDDs thus helping the needs of unbanked and underbanked individuals and communities. In addition, these BDD branches help small business owners including minority-and women-owned businesses with their credit needs by providing affordable banking services.

## 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.

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

## **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.