



**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: December 31, 2018

Institution: First Central Savings Bank
70 Glen Street
Glen Cove, NY 11542

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

TABLE OF CONTENTS

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

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of First Central Savings Bank (“FCSB” 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 December 31, 2018.

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

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

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

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

DFS evaluated FCSB according to the intermediate small banking institution performance criteria pursuant to Sections 76.7 and 76.12 of the GRS. The evaluation period included calendar years 2016, 2017 and 2018. FCSB is rated "**Satisfactory**" or "2". This rating means FCSB had a satisfactory record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: "Satisfactory"

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

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

Assessment Area Concentration: "Satisfactory"

During the evaluation period, FCSB originated 58.9% by number and 70.5% by dollar value of its HMDA-reportable and small business loans within the assessment area. This majority of lending inside its assessment area reflects a reasonable concentration of lending.

Distribution by Borrower Characteristics: "Needs to Improve"

FCSB's distribution of loans by borrower characteristics was less than adequate, primarily because the Bank did not extend any one-to-four family HMDA-reportable loans to LMI borrowers during the evaluation period. More weight was given to HMDA-reportable loans as they represented a majority (88%) of total loans the Bank made inside the assessment area.

Geographic Distribution of Loans: "Satisfactory"

FCSB's origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending, as manifested mainly in its HMDA-reportable lending.

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

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

Community Development Test: “Satisfactory”

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

Community Development Lending: “Outstanding”

During the evaluation period, FCSB originated \$40.2 million in new community development loans. This demonstrated an excellent level of community development lending over the course of the evaluation period.

In addition to extending community development loans within the Bank’s assessment area, two community development loans totaling \$5.4 million were originated within the broader statewide region.

Qualified Investments: “Needs to Improve”

During the evaluation period, FCSB made \$1 million in new community development investments. In addition, FCSB made \$95,379 in community development grants. This demonstrated a less than adequate level of qualified investments over the course of the evaluation period.

Community Development Services: “Satisfactory”

FCSB demonstrated a reasonable level of community development services over the course of the evaluation period.

Responsiveness to Community Development Needs

FCSB demonstrated reasonable level of responsiveness to credit and community development needs.

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.

PERFORMANCE CONTEXT

Institution Profile:

Chartered in 1999, FCSB is a savings bank located in Glen Cove, New York. The Bank has one wholly owned subsidiary, FCOR, LLC, which is a real estate holding company created for acquiring, holding and selling properties foreclosed by the Bank.

FCSB has eight full-service branches, seven located in Queens County and one attached to its corporate headquarters in Glen Cove, Nassau County. The Bank offers traditional banking products and services to individuals and businesses. Its primary lending focus is on small business lending and commercial loans in its primary lending area of Queens, Kings, and Nassau counties.

In its Consolidated Report of Condition (the "Call Report") as of December 31, 2018, filed with the Federal Deposit Insurance Corporation ("FDIC"), the Bank reported total assets of \$584.2 million, of which \$462.6 million were net loans and lease financing receivables. It also reported total deposits of \$516.5 million, resulting in an LTD ratio of 89.6%. According to the latest available comparative deposit data as of June 30, 2018, FCSB had a market share of 0.28% or \$541.3 million in a market of \$193.3 billion ranking it 27th among 72 deposit-taking institutions in the assessment area.

The following is a summary of FCSB's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2016, 2017 and 2018 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	12/31/2016		12/31/2017		12/31/2018	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	82,558	19.3	105,874	22.2	94,571	20.2
Commercial & Industrial Loans	69,856	16.3	79,503	16.7	54,457	11.6
Commercial Mortgage Loans	250,546	58.4	266,707	56.0	244,582	52.2
Multifamily Mortgages	22,005	5.1	16,465	3.5	14,264	3.0
Consumer Loans	73	0.0	0	0.0	29	0.0
Construction Loans	3,496	0.8	7,897	1.7	60,844	13.0
Other Loans	121	0.0	68	0.0	161	0.0
Total Gross Loans	428,655		476,514		468,908	

As illustrated in the above table, FCSB is primarily a commercial lender, with 79.8% of its loan portfolio in commercial mortgage loans, construction loans, commercial and industrial loans, and multifamily mortgages as of December 31, 2018. FCSB had 20.2% of its outstanding loan portfolio in one-to-four family residential mortgages.

FCSB operates eight banking offices inside its assessment area, two of which are located in LMI census tracts. It operates ten ATMs that are free of surcharges for its customers: two each at the Astoria and Ridgewood locations and one each at the Bank's other six locations. FCSB customers can use all branch ATMs 24 hours a day,

7 days a week for deposits, transfers, and withdrawals. FCSB is also a member of the All-Point ATM Network with over 55,000 participating ATMs surcharge free for transfers, withdrawals, and balance inquiries. Branches are open Monday to Friday from 8:30 AM to 4 PM. All branches except the Flushing branch are open on Saturday from 9 AM to 1 PM; the Flushing branch is open Sundays 10 AM to 2 PM.

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

Assessment Area

The Bank's assessment area is comprised of Kings, Queens, and Nassau counties.

There are 1,714 census tracts in the area, of which 146 are low-income, 484 are moderate-income, 678 are middle-income, 356 are upper-income, and 50 have no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Kings	14	115	280	211	141	761	51.9
Queens	27	24	176	308	134	669	29.9
Nassau	9	7	28	159	81	284	12.3
Total	50	146	484	678	356	1,714	36.8

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

Demographic & Economic Data

The assessment area had a population of 6,251,010 during the examination period. Approximately 13.4% of the population was over the age of 65 and 19.6% was under the age of 16.

Of the 1,451,004 families in the assessment area, 28.6% were low-income, 17.1% were moderate-income, 18.2% were middle-income, and 36.2% were upper-income. There were 2,153,070 households in the assessment area, of which 16.1% had income below the poverty level and 3.5% were on public assistance.

The weighted average median family income in the assessment area was \$77,172.

There were 2,328,727 housing units within the assessment area, of which 60.8% were one-to-four family units, and 39% were multifamily units. A majority (50.9%) of the area's housing units were rental units, while 41.5% were owner-occupied. Of the

967,055 owner-occupied housing units, 21.3% were in LMI census tracts while 78.6% were in middle- and upper-income census tracts. The median age of the housing stock was 83 years, and the median home value in the assessment area was \$512,125.

There were 373,434 non-farm businesses in the assessment area. Of these, 89.6% were businesses with reported revenues of less than or equal to \$1 million, 4.9% reported revenues of more than \$1 million, and 5.5% did not report their revenues. Of the businesses in the assessment area, 97.7% were businesses with less than fifty employees while 93.8% operated from a single location. The largest industries in the area were service (45.3%), followed by retail trade (15.3%) and finance, insurance and real estate (7.6%); 12.6% 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 decreased from 4.9% to 4.1% during the evaluation period. The three counties comprising the assessment area exhibited the same downward trend. Queens and Nassau counties had unemployment rates lower than statewide averages, while rates for Kings County were slightly higher.

Assessment Area Unemployment Rate				
	Statewide	Kings	Queens	Nassau
2016	4.9	5.3	4.5	3.9
2017	4.7	4.7	4.0	4.1
2018	4.1	4.2	3.6	3.5

Community Information

DFS examiners conducted community contact interviews with two nonprofit organizations providing services targeting LMI individuals and families in the assessment area. The interviewees stated that banks can help meet credit needs by sponsoring or providing financial literacy education and counseling, and by extending financial assistance towards affordable housing related needs.

The first contact was a nonprofit organization whose mission is to educate and empower New York City high school students through financial education. This is accomplished by providing free financial literacy workshops to teens throughout the New York City area. The interview revealed that there is a critical need for financial literacy education among youths as more than fifty percent of those who have attended the workshops had never or rarely discussed financial goals or received financial literacy education.

The other contact was with a community development organization that operates in Nassau, Suffolk, and Kings counties. The organization provides a variety of services including financial education, financial assistance for LMI first-time homebuyers, and affordable rental housing assistance for LMI families and people with disabilities.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

DFS evaluated FCSB 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. FCSB submitted bank-specific information both as part of the examination process and in 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 used LTD ratios from 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 data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor.

The assessment period included calendar years 2016, 2017, and 2018.

Examiners considered FCSB's HMDA-reportable and small business loans in evaluating factors (2), (3), and (4) of the lending test noted above. More weight was given to HMDA-reportable loans as they represented a majority (88%) of total HMDA-reportable and small business loans made inside the assessment area.

FCSB is not required to report small business loan data; accordingly, its small business lending is not included in the aggregate data. The aggregate data are shown only for comparative purposes.

At its **prior** Performance Evaluation as of June 30, 2013, DFS assigned FCSB a rating of “2,” reflecting a “Satisfactory” record of helping to meet the credit needs of FCSB’s communities.

Current CRA Rating: “Satisfactory”

Lending Test: “Satisfactory”

FCSB’s small business and HMDA-reportable lending activities were reasonable in light of its size, business strategy, and financial condition, as well as aggregate and peer group activity, and the demographic characteristics of the assessment area.

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

FCSB’s lending levels were reasonable considering the Bank’s size, business strategy, and financial condition and peer group activity.

FCSB’s average LTD ratio of 87.4% trailed the peer group’s average of 90.4%. FCSB’s quarterly LTD ratios ranged from a low of 79.4% to a high of 93.2% during the evaluation period.

The table below shows FCSB’s LTD ratios in comparison with the peer group’s ratios for the 12 quarters covering the evaluation period.

Loan-to-Deposit Ratios													
	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018Q 2	2018 Q3	2018 Q4	Avg.
Bank	82.9	79.4	82.8	89.2	91.3	90.3	86.2	89.1	93.2	90.6	84.5	89.6	87.4
Peer	88.2	89.4	89.1	89.3	88.6	89.6	90.5	91.5	91.1	92.1	92.5	92.5	90.4

Assessment Area Concentration: “Satisfactory”

During the evaluation period, FCSB originated 58.9% by number and 70.5% by dollar value of its total HMDA-reportable and small business loans within its assessment area. This majority of lending inside of its assessment area reflects a reasonable concentration of lending.

HMDA-Reportable Loans

FCSB originated 55.8% by number and 71.8% by dollar value of its HMDA-reportable loans within the assessment area. This majority of lending inside of FCSB's assessment area reflects a reasonable concentration of lending.

Small Business Loans

FCSB originated 63.8% by number and 62.1% by dollar value of its small business loans within the assessment area. This majority of lending reflects a reasonable concentration of lending within the assessment area.

The following table shows the percentages of FCSB's HMDA-reportable and small business loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2016	24	63.2%	14	36.8%	38	26,304	69.5%	11,567	30.5%	37,871
2017	9	33.3%	18	66.7%	27	11,768	41.8%	16,356	58.2%	28,124
2018	10	83.3%	2	16.7%	12	36,600	96.3%	1,425	3.7%	38,025
Subtotal	43	55.8%	34	44.2%	77	74,672	71.8%	29,348	28.2%	104,020
Small Business										
2016	6	50.0%	6	50.0%	12	3,105	46.6%	3,556	53.4%	6,661
2017	12	75.0%	4	25.0%	16	3,985	74.0%	1,400	26.0%	5,385
2018	12	63.2%	7	36.8%	19	2,853	71.7%	1,124	28.3%	3,977
Subtotal	30	63.8%	17	36.2%	47	9,943	62.1%	6,080	37.9%	16,023
Grand Total	73	58.9%	51	41.1%	124	84,615	70.5%	35,428	29.5%	120,043

Distribution by Borrower Characteristics: "Needs to Improve"

FCSB's distribution of loans by borrower characteristics was less than adequate primarily because the Bank did not extend any one-to-four HMDA-reportable loans to LMI borrowers during the evaluation period.

FCSB ceased its residential mortgage lending during the first quarter of 2017. Nevertheless, HMDA-reportable loans represented 88% of total loans by dollar volume made inside the assessment area that the Bank submitted for this evaluation.

FCSB's distribution of small business loans among businesses of different revenue sizes was reasonable. However, it only represented 12% of total loans made inside the assessment area.

HMDA-Reportable Loans

FCSB's one-to-four family HMDA-reportable lending demonstrated a poor distribution of loans among borrowers of different income levels.

The Bank did not extend any one-to-four family HMDA-reportable loans to LMI borrowers. This record of lending is considerably lower than the aggregate ratios and family demographics in the assessment area.

The following table provides a summary of the distribution of FCSB's one-to-four family loans by borrower income in 2016 and 2017. FCSB originated no one-to-four family loans in 2018; all of the Bank's 2018 HMDA loans were multifamily loans for which borrower income is not required to be reported.

Distribution of 1-4 HMDA-reportable Loans by Borrower Income									
2016									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	1,449	2.7%	354,328	1.5%	27.7%
Moderate		0.0%		0.0%	5,822	10.8%	1,415,304	6.1%	18.0%
LMI	0	0.0%	0	0.0%	7,271	13.5%	1,769,632	7.6%	45.7%
Middle	1	4.5%	116	0.5%	13,240	24.6%	4,206,142	18.1%	19.1%
Upper	20	90.9%	20,568	93.1%	29,813	55.4%	15,460,667	66.6%	35.2%
Unknown	1	4.5%	1,410	6.4%	3,485	6.5%	1,790,692	7.7%	
Total	22		22,094		53,809		23,227,133		
2017									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	1,349	2.6%	316,194	1.3%	28.6%
Moderate		0.0%		0.0%	5,320	10.4%	1,326,433	5.7%	17.1%
LMI	0	0.0%	0	0.0%	6,669	13.0%	1,642,627	7.0%	45.6%
Middle	1	12.5%	210	4.4%	12,422	24.2%	4,037,932	17.2%	18.2%
Upper	7	87.5%	4,558	95.6%	29,343	57.1%	16,178,718	69.0%	36.2%
Unknown	0	0.0%	0	0.0%	2,965	5.8%	1,579,589	6.7%	
Total	8		4,768		51,399		23,438,866		
GRAND TOTAL									
Borrower	Bank				Aggregate				
Income	#	%	\$000's	%	#	%	\$000's	%	
Low	0	0.0%	0	0.0%	2,798	2.7%	670,522	1.4%	
Moderate	0	0.0%	0	0.0%	11,142	10.6%	2,741,737	5.9%	
LMI	0	0.0%	0	0.0%	13,940	13.2%	3,412,259	7.3%	
Middle	2	6.7%	326	1.2%	25,662	24.4%	8,244,074	17.7%	
Upper	27	90.0%	25,126	93.5%	59,156	56.2%	31,639,385	67.8%	
Unknown	1	3.3%	1,410	5.2%	6,450	6.1%	3,370,281	7.2%	
Total	30		26,862		105,208		46,665,999		

Small Business Loans

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

During the evaluation period, FCSB's lending to businesses with a gross annual revenue of less than or equal to \$1 million averaged 50% by number and 54% by dollar value. These percentages compared favorably with the aggregate's performance of 48% by number and 34.6% by dollar value.

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

Distribution of Small Business Lending by Revenue Size of Business									
2016									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	6	100.0%	3,105	100.0%	76,132	47.3%	1,321,907	32.1%	89.4%
Rev. > \$1MM	0	0.0%	0	0.0%					5.1%
Rev. Unknown	0	0.0%	0	0.0%					5.5%
Total	6		3,105		161,077		4,112,761		
2017									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	3	25.0%	1,060	26.6%	89,874	53.7%	1,749,276	39.2%	89.6%
Rev. > \$1MM	9	75.0%	2,925	73.4%					5.0%
Rev. Unknown	0	0.0%	0	0.0%					5.4%
Total	12		3,985		167,376		4,458,390		
2018									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	6	50.0%	1,203	42.2%	78,137	43.3%	1,516,146	32.2%	89.6%
Rev. > \$1MM	6	50.0%	1,650	57.8%					4.9%
Rev. Unknown	0	0.0%	0	0.0%					5.5%
Total	12		2,853		180,424		4,706,189		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	15	50.0%	5,368	54.0%	244,143	48.0%	4,587,329	34.6%	
Rev. > \$1MM	15	50.0%	4,575	46.0%					
Rev. Unknown	0	0.0%	0	0.0%					
Total	30		9,943		508,877		13,277,340		

Geographic Distribution of Loans: "Satisfactory"

FCSB's origination of loans in census tracts of varying income levels demonstrated an adequate distribution of lending, as manifested mainly in its HMDA-reportable lending.

HMDA-Reportable Loans

The distribution of FCSB's HMDA-reportable loans among census tracts of different income levels was reasonable.

FCSB originated 23.3% by number and 21.1% by dollar value of its HMDA-reportable loans, compared to aggregate's rates of 22% and 31%, respectively.

Over the course of the evaluation period, the Bank's lending in LMI geographies improved annually from 16.7% in 2016 to 40% in 2018. This improvement can be attributed to the Bank shifting its lending focus to multi-family properties.

The following table provides a summary of the distribution of FCSB'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									
2016									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	2,072	3.8%	1,434,601	5.2%	3.1%
Moderate	4	16.7%	2,343	8.9%	9,908	18.0%	6,062,587	22.1%	18.3%
LMI	4	16.7%	2,343	8.9%	11,980	21.7%	7,497,188	27.3%	21.4%
Middle	9	37.5%	8,335	31.7%	27,114	49.2%	11,088,270	40.4%	49.8%
Upper	11	45.8%	15,626	59.4%	15,991	29.0%	8,836,810	32.2%	28.8%
Unknown		0.0%		0.0%	13	0.0%	8,841	0.0%	
Total	24		26,304		55,098		27,431,109		
2017									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	2,257	4.3%	1,561,156	5.2%	3.0%
Moderate	2	22.2%	535	4.5%	9,352	17.8%	8,552,309	28.3%	18.3%
LMI	2	22.2%	535	4.5%	11,609	22.1%	10,113,465	33.4%	21.3%
Middle	2	22.2%	8,060	68.5%	24,994	47.6%	10,655,242	35.2%	49.3%
Upper	5	55.6%	3,173	27.0%	15,813	30.1%	9,465,869	31.3%	29.3%
Unknown		0.0%		0.0%	73	0.1%	26,522	0.1%	0.1%
Total	9		11,768		52,489		30,261,098		
2018									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	10.0%	6,600	18.0%	2,790	4.2%	2,632,270	6.9%	3.0%
Moderate	3	30.0%	6,300	17.2%	11,818	17.8%	9,485,940	24.8%	18.3%
LMI	4	40.0%	12,900	35.2%	14,608	22.0%	12,118,210	31.6%	21.3%
Middle	3	30.0%	10,200	27.9%	31,270	47.1%	13,650,810	35.6%	49.3%
Upper	3	30.0%	13,500	36.9%	20,400	30.8%	12,510,490	32.7%	29.3%
Unknown		0.0%		0.0%	61	0.1%	21,375	0.1%	0.1%
Total	10		36,600		66,339		38,300,885		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	1	2.3%	6,600	8.8%	7,119	4.1%	5,628,027	5.9%	
Moderate	9	20.9%	9,178	12.3%	31,078	17.9%	24,100,836	25.1%	
LMI	10	23.3%	15,778	21.1%	38,197	22.0%	29,728,863	31.0%	
Middle	14	32.6%	26,595	35.6%	83,378	47.9%	35,394,322	36.9%	
Upper	19	44.2%	32,299	43.3%	52,204	30.0%	30,813,169	32.1%	
Unknown	-	0.0%	-	0.0%	147	0.1%	56,738	0.1%	
Total	43		74,672		173,926		95,993,092		

Small Business Loans

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

By dollar volume, FCSB originated 33.1% of small business loans in LMI geographies comparable to aggregate's rate of 33.6%. However, by number of small business loans, FCSB's rate of 26.7% in LMI geographies was well below the aggregate's rate of 35%.

Over the course of the evaluation period, the Bank's distribution of lending to small businesses by geographic income substantially declined from 33.3% in 2016 and 2017 to 16.7% in 2018 by number of loans. Although there were limited number of loans each year of the evaluation period, resulting in small changes in gross numbers impacting the percentages, the declining trend in lending in LMI geographies demonstrated a less than adequate distribution of lending.

The following table provides a summary of the distribution of FCSB'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									
2016									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	16.7%	490	15.8%	16,039	10.0%	393,974	9.6%	8.0%
Moderate	1	16.7%	500	16.1%	40,742	25.3%	964,379	23.4%	25.1%
LMI	2	33.3%	990	31.9%	56,781	35.3%	1,358,353	33.0%	33.1%
Middle	2	33.3%	1,425	45.9%	64,538	40.1%	1,667,565	40.5%	42.1%
Upper	2	33.3%	690	22.2%	38,300	23.8%	994,654	24.2%	24.1%
Unknown	0	0.0%	0	0.0%	1,458	0.9%	92,189	2.2%	0.8%
Total	6		3,105		161,077		4,112,761		
2017									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	18,417	11.0%	452,319	10.1%	8.1%
Moderate	4	33.3%	1,550	38.9%	40,542	24.2%	1,052,196	23.6%	24.3%
LMI	4	33.3%	1,550	38.9%	58,959	35.2%	1,504,515	33.7%	32.4%
Middle	8	66.7%	2,435	61.1%	63,544	38.0%	1,737,071	39.0%	41.1%
Upper	0	0.0%	0	0.0%	43,516	26.0%	1,127,394	25.3%	25.8%
Unknown	0	0.0%	0	0.0%	1,357	0.8%	89,410	2.0%	0.7%
Total	12		3,985		167,376		4,458,390		
2018									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	18,422	10.2%	480,783	10.2%	8.1%
Moderate	2	16.7%	750	26.3%	43,747	24.2%	1,121,405	23.8%	24.4%
LMI	2	16.7%	750	26.3%	62,169	34.5%	1,602,188	34.0%	32.5%
Middle	8	66.7%	1,973	69.2%	68,723	38.1%	1,800,737	38.3%	40.8%
Upper	2	16.7%	130	4.6%	48,016	26.6%	1,203,847	25.6%	26.0%
Unknown	0	0.0%	0	0.0%	1,516	0.8%	99,417	2.1%	0.7%
Total	12		2,853		180,424		4,706,189		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	1	3.3%	490	4.9%	52,878	10.4%	1,327,076	10.0%	
Moderate	7	23.3%	2,800	28.2%	125,031	24.6%	3,137,980	23.6%	
LMI	8	26.7%	3,290	33.1%	177,909	35.0%	4,465,056	33.6%	
Middle	18	60.0%	5,833	58.7%	196,805	38.7%	5,205,373	39.2%	
Upper	4	13.3%	820	8.2%	129,832	25.5%	3,325,895	25.0%	
Unknown	0	0.0%	0	0.0%	4,331	0.9%		2.1%	
Total	30		9,943		508,877		13,277,340		

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

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

Community Development Test: "Satisfactory"

FCSB's community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community

development loans, qualified investments, and community development services, considering FCSB’s capacity and the need for and availability of opportunities for community development in its assessment area.

During the evaluation period, FCSB originated \$40.2 million in new community development loans and made \$1 million in new community development investments. There were no outstanding community development loans or investments from prior evaluation periods. FCSB made \$95,379 in community development grants during the period.

Community Development Lending: “Outstanding”

During the evaluation period, FCSB originated \$40.2 million in new community development loans; the Bank had no outstanding loans from the prior evaluation period. This demonstrated an excellent level of community development lending over the course of the evaluation period.¹

Loans for neighborhood revitalization and stabilization represented 53.5% of FCSB’s total community development loans while 25.9% was extended for community services, and the remaining 20.6% was for affordable housing and economic development purposes.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	1	6,600		
Economic Development	1	1,675		
Community Services	3	10,400		
Revitalization/ Stabilization	4	21,512		
Total	9	40,187	0	0

Below are highlights of FCSB’s community development lending.

- FCSB extended a \$6.6 million loan to refinance a commercial underlying mortgage for a building with thirty-five cooperative apartment units located in a low-income census tract. The cooperative currently limits ownership to low-income Section 8 residents. The Bank’s loan facilitates the preservation of affordable housing units reserved for LMI individuals.
- FCSB made a \$8 million loan to construct a multifamily property containing thirty-six residential units located in a moderate-income census tract in Kings County

¹ For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the time period of the exam.

(Brooklyn). Thirty percent of the units are qualified for both federal and state tax credits and are set aside for affordable housing benefiting LMI tenants. The loan helps to revitalize and stabilize the area by attracting and retaining residents.

- FCSB made a \$5.7 million loan to finance an educational institution located in a low-income census tract. The institution provides job training to high school and college-aged LMI students.

Qualified Investments: “Needs to Improve”

FCSB made \$1 million in community development investments during the evaluation period. In addition, FCSB made \$95,379 in community development grants. The Bank’s qualified investments decreased significantly from the \$6.4 million approved in the prior evaluation. This demonstrated a less than adequate level of qualified investments over the course of the evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	1	1,031		
Economic Development				
Community Services				
Other (Please Specify)				
Total	1	1,031	0	0
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing				
Economic Development				
Community Services	32	95		
Other (Please Specify)				
Total	32	\$ 95		

Below are highlights of FCSB’s qualified investments.

- FCSB purchased Fannie-Mae mortgage-backed securities (“MBS”) collateralized by residential mortgage loans made to LMI borrowers within FCSB’s assessment area.
- FCSB has an outstanding loan in the amount of \$1.2 million made to a nonprofit foundation that administers a program supporting safe living environments and enhanced quality of life for vulnerable senior housing residents. The loan funded the foundation’s purchase of a Fannie Mae MBS to collateralize the original loan. The foundation retains one percent of the interest income from the security (\$12,000 annually), setting it aside to fund its crime prevention program that included a senior housing facility in the Bank’s assessment area. Examiners

considered \$36,000, representing three years of such interest from an annual yield of one percent, to be a grant for community service purposes.

Community Development Services: "Satisfactory"

FCSB demonstrated a reasonable level of community development services over the course of the evaluation period.

The Chairman of the Board and the management team of FCSB provide their time, leadership, and financial expertise as members of the board and committees of various community organizations. Bank officers have also established community relationships and partnered with community organizations to provide informational seminars, educational resources, and sponsorship of financial literacy seminars to LMI individuals and families and small businesses.

Below are highlights of FCSB's community development services.

- The Chairman of the Board serves as the program director for an association that represents 4,000 apartment buildings in New York City. The program has played a key role in City and State housing policies.
- The Chief Administrative Officer serves on the board of a nonprofit organization that provides innovative educational programs to students throughout the School District. The School District contains over 7,100 students, of whom over seventy percent are considered economically disadvantaged.
- A business development officer serves on the scholarship committee for a nonprofit organization that provides housing and employment counseling, immigration and legal assistance, after-school child-care and a tutorial program to low-income individuals.
- A business development officer is a member of a nonprofit agency that provides emergency shelter and services for homeless women and their children.
- FCSB hosted two financial literacy seminars targeted toward small businesses in the assessment area and conducted four financial literacy workshops for LMI individuals and families; topics included budgeting, paying down debt, and setting financial goals.

Responsiveness to Community Development Needs

FCSB demonstrated a reasonable level of responsiveness to credit and community development needs.

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.

FCSB's Board of Directors reviews and reaffirms the CRA policy annually. FCSB's CRA program provides for a CRA Committee which consists of the Bank's Chief Retail Banking Officer, Chief Lending Officer, Chief Financial Officer, CRA Officer, President and other senior staff tasked with the responsibilities to ensure the Bank's compliance with the purpose of the CRA. The CRA Officer is responsible for monitoring the Bank's CRA activities, and submits a monthly report of the Bank's CRA performance to the board for its review.

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

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

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

Record of opening and closing offices and providing services at offices

Record of opening and closing branches

FCSB's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly with respect to LMI geographies and/or LMI individuals.

On October 31, 2016, the Bank closed its Sunnyside Branch and consolidated its deposits and services with the Astoria Branch. Both branches were located in middle income tracts.

As of the evaluation date, FCSB operates eight full-service retail branches located in Queens and Nassau counties. Two of the eight branches are located in LMI geographies.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Nassau		1				1	100%
Queens			1	3	3	7	14%
Total	-	1	1	3	3	8	25%

Availability and effectiveness of alternative systems for delivering retail services

FCSB’s delivery systems are readily accessible to significant portions of the Bank’s assessment area, particularly to LMI geographies and individuals.

Branches are typically open Monday through Friday from 8:30 AM to 4:00 PM. The Whitestone and Astoria branches have extended hours on Fridays until 6:00 pm. All branches except the Flushing branch are open on Saturdays from 9:00 AM to 1:00 PM. The Flushing branch is open on Sundays from 10:00 AM to 2:00 PM.

- All branches offer a 24/7 onsite ATM, which allows for deposit and withdrawal capabilities.
- In total, there are ten ATMs. One is located in a low-income census tract, two are located in a moderate-income census tract and the remaining six are located in middle- and upper- income geographies.
- With the Bank's Visa Debit Card, customers can access, surcharge-free, any of the 55,000 ATMs offered by the Allpoint network
- Other delivery channels available to customers include: online banking, mobile application banking, and remote deposit capture.

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.*

FCSB determines community needs by being actively involved in community organizations and events. Business development officers are members of nonprofit and community organizations and maintain one-on-one contacts with individuals and organizations regarding their credit needs.

Senior officers served as board members of local community organizations to help ascertain the credit and banking needs of the community.

Bank staff provided financial literacy and credit repair seminars to LMI students and families and small business, including information on products and services that FCSB offers.

- *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.*

FCSB advertises its products and services through newspapers, branch merchandising, FCSB's website, social media, and by word of mouth through business development officers in the communities that they serve.

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

In addition to extending community development loans within the Bank's assessment areas, FCSB extended two community development loans totaling \$5.4 million outside the assessment area but within the broader statewide region, both located in Bronx County. One of the loans was a \$5 million loan extended to refinance a land loan located in a low-income census tract which is part of a project for the development of affordable housing units, office and community facilities that will revitalize this low-income neighborhood. The other loan was for a \$375,000 Section 8 housing facility that qualified for affordable housing.

GLOSSARY

Aggregate Lending

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 Metropolitan Statistical Area ("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 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.