



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

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: September 30, 2013

Institution: Hanover Community Bank
2131 Jericho Turnpike
Garden City Park, NY 11040

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

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

Part 76 of the General Regulations of the Superintendent implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

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

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

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

DFS evaluated HCB according to the small bank performance criteria pursuant to Part 76.12 of the General Regulations of the Superintendent. The assessment period included calendar years 2010, 2011, 2012 and the first three quarters of 2013. HCB is rated "1," indicating an "Outstanding" record of helping to meet community credit needs.

The rating is based on the following factors:

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

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

The average LTD ratio was 71.0% for the evaluation period compared to 75.3% for its peer group. HCB is a one branch institution that has larger, entrenched competitors in its assessment area.

- **Assessment Area Concentration:** "Outstanding"

During the evaluation period HCB originated 91.4% by number, and 94.8% by dollar value of its HMDA-reportable and small business loans within its assessment area. This substantial majority of lending inside its assessment area was an excellent record of lending.

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

The distribution of loans based on borrower characteristics demonstrated excellent rates of lending among individuals of different income levels and businesses of different revenue sizes.

- **Geographic Distribution of Loans:** "Outstanding"

HCB's rates of HMDA-reportable and small business loans in census tracts of varying income levels demonstrated an excellent distribution of lending.

- **Action Taken in Response to Written Complaints with Respect to CRA:**

Since HCB was chartered in October 2009, neither HCB nor DFS has received any written complaints regarding HCB's CRA performance.

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

PERFORMANCE CONTEXT

Institution Profile

Chartered in 2009, HCB is a commercial bank located in Garden City Park in Nassau County. HCB operates one banking office and has a wholly owned subsidiary, Hanover Mortgage Corporation at the same location. HCB opened soon after the 2008 financial crisis and incurred large losses, which in turn significantly eroded its capital position. HCB was repositioned, additional capital was raised and a revamped board and new management team was inserted, led by Michael Puorro, the CEO and President.

Per the Consolidated Report of Condition (the "Call Report") as of September 30, 2013, filed with the Federal Deposit Insurance Corporation ("FDIC"), HCB reported total assets of \$93.0 million, of which \$70.5 million were net loans and lease finance receivables. It also reported total deposits of \$81.0 million, resulting in a loan-to-deposit ratio ("LTD") of 87.1%. According to the latest available comparative deposit data, as of June 30, 2013, HCB had a market share of 0.01%, or \$69.6 million in a market of \$999.2 billion, ranking it 116th among 134 deposit-taking institutions in their assessment area.

The following is a summary of HCB's loan portfolio, based on Schedule RC-C of the bank's December 31, 2010, 2011, 2012, and September 30, 2013 Call Reports:

Loan Type	2010		2011		2012		9/30/2013	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	15,706	41.5	12,319	31.4	9,044	23.1	14,140	19.7
Commercial & Industrial Loans	2,918	7.7	7,234	18.4	4,475	11.4	7,648	10.7
Commercial Mortgage Loans	11,869	31.4	13,360	34.1	11,752	30.0	21,033	29.3
Multifamily Mortgages	5,765	15.2	4,584	11.7	5,843	14.9	28,809	40.2
Consumer Loans	79	0.2	69	0.2	51	0.1	51	0.1
Agricultural Loans	0	0.0	0	0.0	0	0.0	0	0.0
Construction Loans	1,479	3.9	1,667	4.2	0	0.0	0	0.0
Obligations of States & Municipalities	0	0.0	0	0.0	0	0.0	0	0.0
Other Loans	11	0.0	0	0.0	0	0.0	0	0.0
Lease Financing	0	0.0	0	0.0	0	0.0	0	0.0
Total Gross Loans	37,827		39,233		31,165		71,681	

As illustrated in the above table, HCB is primarily a residential real estate lender, with 59.9% of its loan portfolio in residential and multifamily real estate, while 40.0% of its loan portfolio is in commercial & industrial loans and commercial mortgages.

HCB has two on-site deposit-taking ATM's.

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

Assessment Area

HCB's assessment area is comprised of Bronx, Kings, Queens, New York, Nassau, Suffolk and Westchester counties in their entireties.

There are 2,887 census tracts in the area, of which 308 are low-income, 688 are moderate-income, 1,032 are middle-income, 783 are upper-income, and 76 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	10	129	101	64	35	339	67.8
Kings	13	108	269	234	137	761	49.5
Queens	26	16	134	303	190	669	22.4
New York	12	37	65	23	151	288	35.4
Nassau	8	9	26	157	84	284	12.3
Suffolk	1	4	70	197	51	323	22.9
Westchester	6	5	23	54	135	223	12.6
Total	76	308	688	1,032	783	2,887	34.5

The assessment area appears reasonable based upon the location of HCB's offices and its lending patterns. DFS did not find evidence that HCB arbitrarily excluded LMI areas.

Demographic & Economic Data

The assessment area had a population of 11,488,398 during the evaluation period. Approximately 12.6% of the population were over the age of 65 and 19.6% were under the age of sixteen.

Of the 2,672,066 families in the assessment area, 26.1% were low-income, 17.0% moderate-income, 18.3% middle-income, and 38.6% were upper-income families. There were 4,166,887 households in the assessment area, of which 14.8% had income below the poverty level and 3.4% were on public assistance.

The weighted average median family income in the assessment area was \$79,994.

There were 4,567,420 housing units within the assessment area, of which 51.6% were one-to-four family units, and 48.1% were multifamily units. A majority (50.2%) of the area's housing units were rental units, and 41.0% were owner-occupied units.

Of the 1,874,342 owner-occupied housing units, 17.3% were in low- and moderate-income census tracts while 82.7% were in middle- and upper-income census tracts. The median age of the housing stock was 64 years and the median home value was \$523,647.

There were 987,544 non-farm businesses in the assessment area. Of these, 73.4% were businesses with reported revenues of less than or equal to \$1 million, 5.3% reported revenues of more than \$1 million and 21.3% did not report their revenues. Of all the businesses in the assessment area, 80.1% were businesses with less than fifty employees and 93.9% operated from a single location. The largest industries in the area were services (45.2 %), retail trade (14.2%), and finance, real estate and insurance (8.6%), and 13.2% of businesses were not classified.

According to the New York State Department of Labor, the unemployment rate for New York State trended downward during the evaluation period beginning in 2010, as shown in the table below, from 8.6% in 2010 to 7.7% in 2013. The Bronx and Kings County consistently had higher unemployment rates than New York State during the evaluation period. New York, Nassau, Suffolk and Westchester counties had the lowest rates in the state, while Queens County had a mix of higher and lower rates.

Assessment Area Unemployment Rate								
	Statewide	Bronx	Kings	Queens	New York	Nassau	Suffolk	Westchester
2010	8.6%	12.8%	10.3%	8.7%	8.1%	7.1%	7.7%	7.4%
2011	8.2%	12.4%	9.8%	8.1%	7.5%	6.8%	7.5%	7.0%
2012	8.5%	12.7%	9.9%	8.3%	7.7%	7.1%	7.6%	7.2%
2013	7.7%	11.8%	9.4%	7.8%	7.2%	5.9%	6.4%	6.3%

Community Information

Examiners interviewed a community organization that is the largest provider of direct homeownership services in New York City. The agency is mostly concerned with homeowners of 1-4 family residences and co-op/condominium owners, focusing on LMI individuals and small businesses.

The organization creates and preserves affordable housing through total rehabilitation and new construction of 1-4 family residential and mixed use buildings. It also provides homeownership education, financial assistance and community leadership. The organization identified the following issues of concern in the assessment area: foreclosures, dependence on payday loans, a lack of affordable housing, and limited financial literacy. State-chartered banks are more responsive to community credit needs in the form of grants and lines of credit to nonprofits compared to the money center banks, according to the organization.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

DFS evaluated HCB under the small bank performance criteria in accordance with Parts 76.7 and 76.12 of the General Regulations of the Superintendent, which consist of the lending test: (1) LTD ratio and other lending-related activities; (2) assessment area concentration; (3) distribution by borrower characteristics; (4) geographic distribution of loans; and (5) action taken in response to written complaints regarding CRA. Examiners also considered the following factors in assessing the bank's record of performance: The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications or evidence of prohibited discriminatory or other illegal credit practices; record of opening and closing offices and providing services at offices; and process factors, such as activities to ascertain credit needs and the extent of marketing and special credit-related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

DFS derived statistics employed in this evaluation from various sources. HCB 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 and deposit data from the FDIC. DFS calculated LTD ratios from information shown in the bank's Uniform Bank Performance Report submitted to the FDIC.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census ("census") and the U.S. Department of Housing and Urban Development. Business demographic data used in this report was based on Dun & Bradstreet reports which are updated annually. DFS obtained unemployment data from the New York State Department of Labor.

The assessment period included calendar years 2010, 2011, 2012 and the first three quarters of 2013.

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

Small business and small farm loan aggregate data are shown for comparative purposes. Federal law does not require HCB to report this data; thus it is not included in the aggregate data. HCB chose not to have consumer loans evaluated because they constituted a very small percentage of HCB's loan originations.

At its **prior** Performance Evaluation as of December 31, 2009, the New York State Banking Department assigned HCB a rating of "2," reflecting a "Satisfactory" record of helping to meet community credit needs.

Current CRA Rating: “Outstanding”

Lending Test: “Outstanding”

HCB’s HMDA-reportable and small business lending activities were excellent in light of peer group activity and the demographics of the assessment area.

LTD Ratio and Other Lending-Related Activities: “Satisfactory”

HCB’s average LTD ratio was reasonable considering its size, business strategy and financial condition, as well as its peer group’s activity and the demographics of its assessment area.

HCB’s average LTD ratio was 71.0% for the evaluation period compared to 75.3% for its peer group. HCB is a one-branch institution that has larger, entrenched competitors in its assessment area.

The following table shows HCB’s LTD ratios in comparison with the peer group’s ratios for the 15 quarters since the prior evaluation.

Loan-to-Deposit Ratios																
	2010	2010	2010	2010	2011	2011	2011	2011	2012	2012	2012	2012	2013	2013	2013	Avg.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Bank	79.7	67.8	79.1	76.4	77.3	73.6	71.9	70.8	68.2	61.1	57.1	53.3	70.9	70.9	87.1	71.0
Peer	62.2	68.0	71.6	76.3	73.7	75.2	72.6	77.5	78.1	77.6	76.2	77.3	80.5	82.1	80.1	75.3

Assessment Area Concentration: “Outstanding”

During the evaluation period, HCB originated 91.4% by number, and 94.9% by dollar value of its total HMDA-reportable and small business loans within its assessment area. This substantial majority of overall lending inside HCB’s assessment area was an excellent record of lending.

HMDA-Reportable Loans:

During the evaluation period, HCB originated 87.0% by number, and 92.5% by dollar value of its HMDA-reportable loans within the assessment area. This substantial majority of lending inside HCB’s assessment area was an excellent record of lending.

Small Business Loans:

During the evaluation period, HCB originated 96.1% by number, and 97.3% by dollar value of its small business loans within the assessment area. This substantial majority

of lending inside the assessment area was an excellent record of lending.

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

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2010	24	77.4%	7	22.6%	31	6,768	79.9%	1,699	20.1%	8,467
2011	2	100.0%	-	0.0%	2	955	100.0%	-	0.0%	955
2012	2	100.0%	-	0.0%	2	1,475	100.0%	-	0.0%	1,475
2013	19	100.0%	-	0.0%	19	11,754	100.0%	-	0.0%	11,754
Subtotal	47	87.0%	7	13.0%	54	20,952	92.5%	1,699	7.5%	22,651
Small Business										
2010	15	100.0%	-	0.0%	15	4,618	100.0%	-	0.0%	4,618
2011	12	92.3%	1	7.7%	13	5,107	94.0%	325	6.0%	5,432
2012	4	100.0%	-	0.0%	4	1,534	100.0%	-	0.0%	1,534
2013	18	94.7%	1	5.3%	19	8,271	97.5%	210	2.5%	8,481
Subtotal	49	96.1%	2	3.9%	51	19,530	97.3%	535	2.7%	20,065
Grand Total	96	91.4%	9	8.6%	105	40,482	94.8%	2,234	5.2%	42,716

Distribution by Borrower Characteristics: "Outstanding"

The distribution of loans based on borrower characteristics demonstrated excellent rates of lending among individuals of different income levels and businesses of different revenue sizes.

HMDA-Reportable Loans:

HCB's HMDA-reportable loans demonstrated an excellent rate of lending among individuals of different income levels.

HCB originated 35.1% by number and 33.6% by dollar value of its 1-4 family HMDA-reportable loans to low- and moderate-income borrowers, which were more than double the aggregate levels of 15.3% by number and 7.5% by dollar value. In 2011 and 2012 HCB didn't originate any LMI loans; however, all types of loan originations (with the exception of small business) fell during that period.

The following table provides a summary of the distribution of HCB's HMDA-reportable loans based on borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2010									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	4.5%	132	2.2%	3,194	2.8%	465,866	1.1%	26.5%
Moderate	6	27.3%	1,326	22.3%	14,100	12.2%	2,775,793	6.5%	16.8%
LMI	7	31.8%	1,458	24.5%	17,294	15.0%	3,241,659	7.5%	43.3%
Middle	4	18.2%	806	13.6%	25,990	22.5%	6,565,076	15.3%	18.6%
Upper	11	50.0%	3,684	61.9%	68,705	59.5%	31,470,447	73.2%	38.1%
Unknown	0	0.0%	0	0.0%	3,411	3.0%	1,709,864	4.0%	
Total	22		5,948		115,400		42,987,046		
2011									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	3,612	3.3%	510,504	1.2%	26.5%
Moderate	0	0.0%	0	0.0%	13,188	12.1%	2,544,791	6.0%	16.8%
LMI	0	0.0%	0	0.0%	16,800	15.4%	3,055,295	7.2%	43.3%
Middle	2	100.0%	785	100.0%	23,571	21.6%	5,838,358	13.8%	18.6%
Upper	0	0.0%	0	0.0%	64,218	59.0%	31,003,071	73.4%	38.1%
Unknown	0	0.0%	0	0.0%	4,328	4.0%	2,316,142	5.5%	
Total	2		785		108,917		42,212,866		
2012									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0		0		4,488	3.5%	738,370	1.5%	26.1%
Moderate	0		0		15,321	12.0%	3,087,677	6.1%	17.0%
LMI	0		0		19,809	15.5%	3,826,047	7.6%	43.1%
Middle	0		0		27,443	21.4%	6,989,751	13.9%	18.3%
Upper	0		0		75,264	58.7%	36,161,450	71.7%	38.6%
Unknown	0		0		5,656	4.4%	3,447,413	6.8%	
Total	-		-		128,172		50,424,661		
2013									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	15.4%	777	12.8%	Data Not Available				
Moderate	4	30.8%	2,073	34.0%					
LMI	6	46.2%	2,850	46.8%					
Middle	3	23.1%	1,358	22.3%					
Upper	1	7.7%	360	5.9%					
Unknown	3	23.1%	1,522	25.0%					
Total	13		6,090						
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	8.1%	909	7.1%		3.2%		1.3%	
Moderate	10	27.0%	3,399	26.5%		12.1%		6.2%	
LMI	13	35.1%	4,308	33.6%		15.3%		7.5%	
Middle	9	24.3%	2,949	23.0%		21.8%		14.3%	
Upper	12	32.4%	4,044	31.5%		59.1%		72.7%	
Unknown	3	8.1%	1,522	11.9%		3.8%		5.5%	
Total	37		12,823						

Small Business Loans:

The distribution of small business loans based on the revenue size of the business demonstrated an excellent rate of lending among businesses of different revenue sizes, especially businesses with revenues of \$1 million or less.

HCB's lending to businesses with revenues of \$1 million or less was more than twice the aggregate. HCB originated 73.5% by number and 73.7% by dollar value of small business loans, compared with the aggregate's levels of 31.0% and 25.8%, respectively. HCB originated 36 loans to businesses with revenues of \$1 million or less, compared with 13 loans to businesses with revenues in excess of \$1 million.

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

Distribution of Business Lending by Revenue Size of Business									
2010									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	11	73.3%	2,868	62.1%	36,426	17.6%	1,259,240	21.9%	76.7%
Rev. > \$1MM	4	26.7%	1,750	37.9%					5.3%
Rev. Unknown	0	0.0%	0	0.0%					18.0%
Total	15		4,618		207,057		5,753,349		
2011									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	9	75.0%	3,907	76.5%	88,556	33.6%	1,794,429	26.1%	67.0%
Rev. > \$1MM	3	25.0%	1,200	23.5%					3.7%
Rev. Unknown	0	0.0%	0	0.0%					29.3%
Total	12		5,107		263,172		6,876,652		
2012									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	1	25.0%	584	38.1%	104,784	38.8%	2,127,802	28.5%	72.3%
Rev. > \$1MM	3	75.0%	950	61.9%					4.9%
Rev. Unknown	0	0.0%	0	0.0%					22.8%
Total	4		1,534		270,156		7,477,685		
2013									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	15	83.3%	7,025	84.9%					
Rev. > \$1MM	3	16.7%	1,246	15.1%		Data Not Available			
Rev. Unknown	0	0.0%	0	0.0%					
Total	18		8,271						
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	36	73.5%	14,384	73.7%		31.0%		25.8%	
Rev. > \$1MM	13	26.5%	5,146	26.3%					
Rev. Unknown	0	0.0%	0	0.0%					
Total	49		0						

Geographic Distribution of Loans: "Outstanding"

HCB's lending in census tracts of varying income levels demonstrated an excellent distribution of lending among those tracts.

HMDA-Reportable Loans:

The distribution of HCB's HMDA-reportable loans by census-tract income level demonstrated excellent lending performance.

As noted previously in this evaluation, overall lending was down in 2011 and 2012. Consistent with this trend, 16 of the 19 total loans made to LMI individuals were in 2010 and 2013.

During the evaluation period, HCB originated 40.4% by number and 54.4% by dollar value of its HMDA-reportable loans to LMI individuals. This compares favorably to the aggregate's levels of 14.2% and 14.2%, respectively.

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

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2010									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	8.3%	563	8.3%	2,380	2.0%	1,168,101	2.5%	1.8%
Moderate	4	16.7%	1,046	15.5%	14,095	12.1%	4,920,593	10.5%	14.2%
LMI	6	25.0%	1,609	23.8%	16,475	14.1%	6,088,694	13.0%	16.0%
Middle	14	58.3%	3,773	55.7%	49,168	42.0%	15,502,617	33.0%	45.8%
Upper	4	16.7%	1,386	20.5%	51,174	43.8%	25,284,006	53.8%	38.1%
Unknown	0	0.0%	0	0.0%	143	0.1%	128,030	0.3%	0.0%
Total	24		6,768		116,960		47,003,347		
2011									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	50.0%	670	70.2%	2,449	2.2%	1,736,942	3.6%	1.8%
Moderate	0	0.0%	0	0.0%	13,780	12.4%	6,035,493	12.3%	14.2%
LMI	1	50.0%	670	70.2%	16,229	14.6%	7,772,435	15.9%	16.0%
Middle	1	50.0%	285	29.8%	45,262	40.7%	14,650,680	30.0%	45.8%
Upper	0	0.0%	0	0.0%	49,455	44.5%	26,288,958	53.8%	38.1%
Unknown	0	0.0%	0	0.0%	161	0.1%	165,443	0.3%	0.0%
Total	2		955		111,107		48,877,516		
2012									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	2,870	2.2%	1,760,961	3.0%	2.3%
Moderate	2	100.0%	1,475	100.0%	15,366	11.7%	6,408,634	10.8%	15.0%
LMI	2	100.0%	1,475	100.0%	18,236	13.9%	8,169,595	13.7%	17.3%
Middle	0	0.0%	0	0.0%	51,475	39.2%	17,822,270	30.0%	43.8%
Upper	0	0.0%	0	0.0%	61,253	46.7%	33,169,813	55.8%	38.8%
Unknown	0	0.0%	0	0.0%	253	0.2%	276,400	0.5%	0.0%
Total	2		1,475		131,217		59,438,078		
2013									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	4	21.1%	3,488	29.7%	Data Not Available				
Moderate	6	31.6%	4,152	35.3%					
LMI	10	52.6%	7,640	65.0%					
Middle	6	31.6%	2,789	23.7%					
Upper	3	15.8%	1,325	11.3%					
Unknown	0	0.0%	0	0.0%					
Total	19		11,754						
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	14.9%	4,721	22.5%		2.1%		3.0%	
Moderate	12	25.5%	6,673	31.8%		12.0%		11.2%	
LMI	19	40.4%	11,394	54.4%		14.1%		14.2%	
Middle	21	44.7%	6,847	32.7%		40.6%		30.9%	
Upper	7	14.9%	2,711	12.9%		45.1%		54.6%	
Unknown	0	0.0%	0	0.0%		0.2%		0.4%	
Total	47		20,952						

Small Business Loans:

The distribution of small business loans based on the income level of the geography of the business demonstrated excellent rates of lending.

HCB's small business loans originated during the evaluation period in LMI census tracts represented 32.7% by number and 34.2% by dollar value, which outperformed the aggregate's 20.1% and 19.8%, respectively.

The following table provides a summary of HCB's small business lending distribution based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2010									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	6.7%	400	8.7%	8,099	3.9%	240,469	4.2%	6.0%
Moderate	5	33.3%	1,385	30.0%	30,629	14.8%	865,929	15.1%	18.2%
LMI	6	40.0%	1,785	38.7%	38,728	18.7%	1,106,398	19.2%	24.2%
Middle	5	33.3%	1,235	26.7%	67,648	32.7%	1,904,447	33.1%	33.5%
Upper	4	26.7%	1,598	34.6%	98,849	47.7%	2,645,535	46.0%	41.5%
Unknown	0	0.0%	0	0.0%	1,832	0.9%	96,969	1.7%	0.9%
Total	15		4,618		207,057		5,753,349		
2011									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	8.3%	5	0.1%	11,581	4.4%	267,742	3.9%	6.1%
Moderate	4	33.3%	2,400	47.0%	41,711	15.8%	1,034,196	15.0%	18.8%
LMI	5	41.7%	2,405	47.1%	53,292	20.2%	1,301,938	18.9%	24.9%
Middle	6	50.0%	2,302	45.1%	86,997	33.1%	2,217,032	32.2%	33.8%
Upper	1	8.3%	400	7.8%	120,691	45.9%	3,259,618	47.4%	40.4%
Unknown	0	0.0%	0	0.0%	2,192	0.8%	98,064	1.4%	0.9%
Total	12		5,107		263,172		6,876,652		
2012									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	14,454	5.4%	409,736	5.5%	6.5%
Moderate	0	0.0%	0	0.0%	42,167	15.6%	1,170,560	15.7%	18.4%
LMI	0	0.0%	0	0.0%	56,621	21.0%	1,580,296	21.1%	24.9%
Middle	1	25.0%	584	38.1%	87,026	32.2%	2,446,018	32.7%	33.0%
Upper	3	75.0%	950	61.9%	120,052	44.4%	3,174,186	42.4%	39.0%
Unknown	0	0.0%	0	0.0%	6,457	2.4%	277,185	3.7%	2.1%
Total	4		1,534		270,156		7,477,685		
2013									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	Data Not Available				
Moderate	5	27.8%	2,487	30.1%					
LMI	5	27.8%	2,487	30.1%					
Middle	8	44.4%	3,784	45.8%					
Upper	5	27.8%	2,000	24.2%					
Unknown	0	0.0%	0	0.0%					
Total	18		8,271						
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	4.1%	405	2.1%		4.6%		4.6%	
Moderate	14	28.6%	6,272	32.1%		15.5%		15.3%	
LMI	16	32.7%	6,677	34.2%		20.1%		19.8%	
Middle	20	40.8%	7,905	40.5%		32.6%		32.7%	
Upper	13	26.5%	4,948	25.3%		45.9%		45.2%	
Unknown	0	0.0%	0	0.0%		1.4%		2.3%	
Total	49		19,530						

Action Taken In Response to Written Complaints with Respect to CRA:

Since the prior CRA evaluation, as of December 31, 2009, neither HCB nor DFS received any written complaints regarding HCB's CRA performance.

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 Community Reinvestment Act.

The board and senior management take an active role in assuring compliance with CRA. The board reviews and approves the CRA policy. The board last approved the CRA policy on October 31, 2013. CRA discussions are documented in the board minutes.

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

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

Evidence of prohibited discriminatory or other illegal credit practices.

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

Record of opening and closing offices and providing services at offices.

HCB neither opened nor closed any offices during the evaluation period.

County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Nassau				1		1	0%
Total	-	-	-	1	-	1	0%

Process Factors

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

The chief loan officer meets with various brokers that represent different ethnic groups and income levels in HCB's assessment area. Through these contacts HCB provides information on its current products and gathers information to develop additional products that are needed in the assessment area.

- *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.*

HCB sponsored a street fair with the New Hyde Park Chamber of Commerce in September 2013. HCB distributed informational brochures and shared information on its loan products with the community. HCB developed the Minority Loan Program which provides rental and ownership opportunities to help stabilize housing availability in its assessment area.

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

DFS noted no other factors

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

“Community development”:

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

Community Development Loan

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

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

Community Development Service

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

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

Geography

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

Home Mortgage Disclosure Act (“HMDA”)

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

Income Level

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

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

Loans to Small Businesses

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

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas where, according to the 2000 U.S. Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("PMSA"), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development ("HUD").

LMI Individuals/Persons

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

LMI Penetration Rate

A number that represents the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

Low-Income Housing Tax Credit (LIHTC)

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

New Markets Tax Credit (NMTC)

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

Qualified Investment

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

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;

- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.