



## **PUBLIC DISCLOSURE**

December 30, 2013

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Community Federal Savings Bank  
Charter Number 717528

89-07 Jamaica Avenue  
Woodhaven, NY 11421

Office of the Comptroller of the Currency

340 Madison Avenue  
4th Floor  
New York, NY 10017-2613

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## **INSTITUTION'S CRA RATING: This institution is rated Outstanding**

The major factors supporting this rating are:

- A substantial majority of credits were extended inside the assessment area.
- An excellent proportion of loans were extended to small businesses.
- The geographic distribution reflects an excellent proportion of loans were extended to properties in low- and moderate- income tracts.
- The level of lending as demonstrated by the loan-to-deposit ratio is reasonable.

## **SCOPE OF EXAMINATION**

Our conclusions on Community Federal Savings Bank's (CFSB) CRA performance is based on the primary lending product, commercial loans, that were originated between January 1, 2012 and December 31, 2013. We evaluated the bank's performance using the full-scope review *Small Institution CRA Examination Procedures* issued in July 2007. The lending test performance was completed using the 2010 U.S. Census data.

## **DESCRIPTION OF INSTITUTION**

Community Federal Savings Bank (CFSB) is a \$94.8 million federal savings association headquartered in the Woodhaven section of Queens, New York. The bank does not have any operating subsidiaries; therefore, affiliate activities were not considered in this evaluation. The bank operates a single full-service branch in Woodhaven, New York, which is located in a middle-income geography of Queens County. Within the evaluation period, the institution closed one branch also located in a middle-income level geography. The main branch offers convenient banking hours and is open from 8:30AM to 4:30PM, Monday through Friday, with extended hours on Thursday. The branch is also open on Saturday from 9:00AM to 2:00PM. There have not been any significant changes to Community Federal Savings Bank's corporate structure since the last CRA examination; however, in 2011 there was a change in control and the bank is now under new ownership.

CFSB continues to offer a full range of loan and deposit products and services for both personal and business customers. While the bank's lending focus is primarily commercial, other loan products include residential and business loans. Beyond lending and deposits, the bank also offers a full range of other services, such as financial instruments, wire transfers, and remote deposit capture. Different account access alternatives include online banking and mobile banking as well as an automated teller machine (ATM) located at the main branch.

As of September 30, 2013, CFSB had total assets of \$94.8 million, comprised of \$50.1 million in net loans and leases and \$43.1 million in investments (includes interest bearing bank balances). Net loans represent 52.3 percent of total assets, with a loan to deposit ratio of 64.5 percent. The loan portfolio consists of approximately 6.4 percent residential mortgage loans and 93.6 percent commercial real estate loans. As of September 30, 2013, total deposits were \$76.9 million. Deposits consist of \$8.7 million in other savings deposits, \$8.4 million in money market accounts, \$7.3 million in demand deposits, \$2.9 million in NOW accounts, and \$49.6 million in certificates of deposit. Net Tier One Capital amounts to approximately \$17.4 million.

The following table provides a summary of the loan mix.

<b>Loan Portfolio Summary as of September 30, 2013</b>	
<b>Loan Category</b>	<b>% of Gross Loans and Leases</b>
1-4 Family Residential Mortgage	6.4%
Home Equity	1.5%
Commercial & Industrial	0.0%
Commercial Real Estate	93.6%
Construction and Development	0.0%
Consumer Loans	0.0%

Source: FDIC Call Report

CFSB is currently under a Cease & Desist (C&D) order as of February 17, 2011. This C&D presented legal impediments to meeting the credit needs of the community during the assessment period. Article 8: *Restrictions on Higher Risk Lending* of the C&D prohibited the institution from originating any new loans up until March of 2012. This restriction was lifted on March 2, 2012, leaving the institution with no financial or legal impediments to meeting the credit needs of the community subsequently.

The bank was rated “Satisfactory” using small bank procedures during the last CRA examination dated October 22, 2007.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The CRA requires a bank to define an Assessment Area (AA) in which it will be evaluated. CFSB has two AAs that meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income tracts.

CFSB’s AAs are part of the New York-Northern New Jersey-Long Island, NY-NJ-PA Metropolitan Statistical Area (MSA). The first designated AA is the New York City (NYC) AA, which contains four New York City boroughs: Kings, Queens, Bronx and New York Counties. The second contains the entire Long Island region with Nassau

and Suffolk Counties. Each AA falls into two different Metropolitan Divisions (MD) within the MSA. More specifically, the New York City (NYC) AA is part of the New York-White Plains-Wayne, NJ-NY MD #35644 and the Long Island AA is part of the Nassau-Suffolk, NY MD #35004.

According to the 2010 U.S. Census, the NYC AA is comprised of 2,168 census tracts, which include 292 low-income tracts (13.47 percent), 578 moderate-income tracts (26.66 percent), 654 middle-income tracts (30.17 percent), and 580 upper-income tracts (26.75 percent). The 2010 U.S. Census Data indicates that 45.71 percent of families in the AA are considered low- or moderate-income and approximately 18.12 percent of the households are below the poverty line.

Demographic information for NYC AA based on 2010 U.S. Census is broken down below:

Demographic Information for Community Federal Savings Bank AA 1 (2012)					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts/BNAs)	2,168	13.47	26.66	30.17	26.75
Population by Geography	8,175,133	16.37	29.98	26.84	26.58
Owner-Occupied Housing by Geography	3,343,424	3.53	16.96	33.63	45.87
Family Distribution by Income Level	1,842,289	16.15	29.56	27.90	26.39
2010 Census Median Family Income (MFI)	\$65,513	2012 Median Housing Value		\$526,503	
HUD Updated MFI: 2012	\$68,300	Households Below Poverty Level		18.12%	
		Unemployment Rate *		5.43%	

Based on the 2010 U.S. Census, the Long Island AA is comprised of 607 census tracts, which include 13 low-income tracts (2.1 percent), 96 moderate-income tracts (15.8 percent), 354 middle-income tracts (58.3 percent), and 135 upper-income tracts (22.2 percent). The 2010 U.S. Census Data indicates that 18.9 percent of families in AA are considered low- or moderate-income and approximately 5.5 percent of the households are below the poverty line.

Demographic information for the Long Island AA based on 2010 U.S. Census is broken down below:

<b>Demographic Information for Community Federal Savings Bank AA 2 (2012)</b>					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts/BNAs)	607	2.14	15.82	58.32	22.24
Population by Geography	2,832,882	2.32	17.95	58.87	20.71
Owner-Occupied Housing by Geography	1,031,405	1.02	14.16	61.25	23.57
Family Distribution by Income Level	715,052	1.58	16.27	59.87	22.27
2010 Census Median Family Income (MFI)		\$106,138	2012 Median Housing Value	\$501,660	
HUD Updated MFI: 2012		\$107,500	Households Below Poverty Level	5.54%	
			Unemployment Rate *	3.77%	

The Federal Deposit Insurance Corporation's Deposit Market Share Report as of June 30, 2012 indicates Community Federal Savings Bank is ranked 209th among 236 FDIC-insured institutions in the deposit market (New York-Newark-Jersey City, NY-NJ-PA MSA). The bank has 0.01 percent of the total market share. Although not comparable in asset size, the institution's direct competitors include Investors Bank, Ridgewood Savings Bank, Maspeth Federal Savings & Loan Association, New York Community Bank, and Signature Bank. The institution's most direct competitors currently hold 0.68 percent, 0.32 percent, 0.10 percent, 1.36 percent, and 1.22 percent of the market share in the above-mentioned MSA, respectively. Nationwide banks that directly compete include JP Morgan Chase, The Bank of New York Mellon, Bank of America, Citibank, and HSBC. JP Morgan Chase dominates the deposit market with a market share of 34.68 percent, followed by The Bank of New York Mellon with 8.09 percent. The following three competitors included Bank of America with 7.54 percent, Citibank with 6.20 percent, and HSBC Bank with 4.97 percent.

According to the U.S. Bureau of Labor Statistics, economic conditions in the MSA continue to improve. The unemployment rate has improved from 9.1 percent in 2012 to 8.2 percent in June 2013, a positive change of 0.9 percent. More specifically, the New York- White Plains- Wayne MD #35644, which includes the institution's main AA of NYC has experienced favorable changes in unemployment from 9.4 percent in June 2012 to 8.5 percent in June 2013 and is representative of the counties included in the AA. Each of the four counties included in the banks NYC AA and captured in the New York- White Plains- Wayne MD #35644 have shown improvements. Unemployment rates as of June 2013 for Bronx County, Kings County, New York County, and Queens County were 11.8 percent, 9.4 percent, 7.4 percent and 7.8 percent, respectively. Similarly, unemployment trends in the Nassau-Suffolk MD #35004 are favorable. Overall unemployment decreased from 7.5 percent in June 2012 to 6.1 percent in June 2013. Specifically, unemployment rates in Nassau and Suffolk counties for 2013 were 6.0 percent and 6.2 percent, respectively.

Overall, unemployment in the AA is improving slower than on a national level and remains higher than the national unemployment rate of 7.8 percent. The greater NYC-Metropolitan counties continue to experience slower economic recovery than in other states. The local economy evidences higher than regional unemployment, slower improvements in real estate values, and slow small business growth over the last few years.

In assessing the bank's performance, we also reviewed OCC's community contact database. We incorporated the recent feedback received from two organizations who work to preserve affordable housing, stimulate the local economy, and create jobs in the bank's assessment area. One of the pressing concerns in the community, which was highlighted, is that government subsidies for low and moderate-income (LMI) have disappeared. As a result, affordable housing needs are high. Credit availability appears more constricted than it has ever been and is due to regulatory interpretations and the perception that the financial community is tightening their belts, and not because of safety and soundness concerns. The contacts indicated that opportunities exist to help small businesses by providing low rate loans and educating individuals on financial topics and home purchases. It was noted that the organizations receive support from primarily large banks such as Chase, Capital One, and HSBC. However, these contacts noted that local institutions are not doing enough for their communities and that they can provide more help given the ample opportunities to aid low- and moderate income individuals in the assessment area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

CFSB's performance under the lending test is **Outstanding**. This conclusion is based on the lending activity in the New York-Jersey City-White Plains, NY-NJ MD AA, MD # 35644. Only commercial loans were evaluated as they made up 97.1 percent of all loans originated, or 34 of the total 35 originations, during the review period.

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is reasonable given the bank's asset size, AA credit needs, and the bank's ability to lend. The bank's loan-to-deposit ratio averaged 57.3 percent over the previous 21 quarters, dating back to the third quarter 2008. The loan-to-deposit ratio has fluctuated from a low of 33.5 percent to a high of 76.2 percent. The loan-to-deposit ratio declined and remained below 50.0 percent from the third quarter 2011 until the second quarter 2013, caused by the moratorium on new loan originations. The bank is below the peer bank quarterly average of 92.1 percent. The peer quarterly averages ranged between 57.2 percent and 92.1percent.

## Lending in Assessment Area

A substantial majority of the bank's credits were extended inside the assessment area. Ninety one percent of the number of loans extended in 2012 and 2013 were within the AA. Ninety two percent of the total dollar volume originated in 2012 and 2013 were originated within the assessment area. Table 1 details the number and dollar volume of loans extended inside and outside the AA.

<b>Table 1 - Lending in New York- White Plains- Wayne, NY-NJ AA MD # 35644</b>										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Loans	31	91.18	3	8.82	34	\$38,785	92.24	\$3,265	7.76	\$42,050
Totals	31	91.18	3	8.82	34	\$38,785	92.24	\$3,265	7.76	\$42,050

Source: Commercial Loan Data from 1/1/2012 to 12/31/2013

## Lending to Businesses of Different Sizes

The distribution of commercial loans to businesses of different sizes exhibits an excellent proportion extended to small businesses. Approximately 76.4 percent of businesses within the New York City AA generate less than \$1.0 million in revenues in 2013 and are considered small businesses. CFSB outperforms this with nearly 97.2 percent of the total number and total dollar volume of loans extended to small businesses. Table 2A illustrates the borrower distribution in the AA by business revenues based on the total number and total dollar volume of loans. The table shows that CFSB's performance well exceeded the percentage of small businesses contained in the AA.

<b>Table 2A - Borrower Distribution to Businesses in New York- White Plains-Wayne, NY-NJ AA MD # 35644</b>				
Business Revenues	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	76.35	4.98	18.67	100.00
% of Bank Loans in AA by #	96.77	3.23	0.00	100.00
% of Bank Loans in AA by \$	97.16	2.84	0.00	100.00

Source: 2013 Business Geodemographic Data

### Geographic Distribution of Loans

The geographic distribution of CFSB’s loans reflects an excellent proportion was extended to properties in LMI census tracts. More than 74.0 percent of the total number of loans was made in LMI census tracts. This exceeds the 29.6 percent of businesses located in the LMI level census tracts. 2013 Business Geodemographic Data shows that 67.1 percent, or the majority of businesses, are located in the middle and upper income level census tracts.

Table 3A - Geographic Distribution of Commercial Loans in New York MD #35644 AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
% of Total	9.23	16.13	20.34	58.06	22.45	16.13	44.65	9.68

Source: 2013 Business Geodemographic Data

### Responses to Complaints

There were no CRA-related complaints during this evaluation period.

### Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 195.28(c), we consider evidence of discriminatory or other illegal credit practices in any geography or in any assessment area by an affiliate whose loans have been considered as part of the lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.