

INTERMEDIATE SMALL BANK



Office of the Comptroller of the Currency

PUBLIC DISCLOSURE

March 11, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Clifton Savings Bank
Charter Number: 701997

1433 Van Houten Avenue, 3rd Floor Clifton, NJ 07015

Office of the Comptroller of the Currency
343 Thornall Street Suite 610 Edison, NJ 08837

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 Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

The major factors that support this rating include:

- **A majority of Clifton Savings Bank's (Clifton) primary loan products are within the bank's assessment area (AA).**
- **Clifton's distribution of loans to borrowers reflects reasonable penetration among borrowers of different income levels.**
- **The bank's geographic distribution reflects reasonable dispersion of loans and meets the standards for satisfactory performance based on its community development lending in low- and moderate-income census tracts.**
- **Clifton's responsiveness to community development needs and opportunities in its AA is excellent, considering its capacity and AA opportunities.**
- **The bank had no consumer complaints regarding its community reinvestment performance.**

Scope of Examination

Clifton Savings Bank (Clifton) was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and community development services.

The lending test for Clifton covers its performance from January 1, 2011 through December 31, 2012, as this is representative of its lending activities since the last CRA examination. The evaluation period for the CD test is from January 1, 2011 through March 11, 2013.

Clifton's primary loan product is residential mortgage loans. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data was tested and found to be reliable and was used in our analysis.

Description of Institution

Clifton Savings Bank (Clifton), founded in 1928, is a \$1.02 billion stock institution located in Clifton, Passaic County, New Jersey. It is approximately 10 miles west of New York City. On September 12, 2007, Clifton converted to a federally chartered

savings bank. The institution is a wholly owned subsidiary of Clifton Savings Bancorp, Inc., a mid-tier holding company. The bank operates twelve branch offices within Passaic and Bergen Counties. Seven offices are located in Passaic County, including five in Clifton, one in Wayne, and one in Woodland Park. The institution's other five branches are located in Bergen County; with two in Garfield and one each in the towns of Fair Lawn, Lyndhurst, and Wallington. Six offices are in middle-income geographies and six offices are in upper-income geographies.

At December 31, 2012, Clifton reported \$448.6 million in net loans and \$790.2 million in total deposits. Net loans represent approximately 44.0% of total assets. Clifton's primary lending product, and business focus of the bank, is 1-4 family first mortgages. Clifton is a traditional one-to-four family residential mortgage lender offering loans to purchase, refinance, and construct one-to-four family dwellings. Home equity loans and lines of credit are also available, as are multi-family and commercial mortgage loans on a limited basis. Deposit products include passbook savings, statement savings, personal and business checking, club, money market, certificates of deposit and individual retirement accounts. Clifton has a website that offers internet-banking services in addition to information on branch hours and bank products. There are no legal or financial condition restrictions that would impede the bank's ability to help meet the credit needs of the community.

Clifton operates in a highly competitive financial services market with competition from nationwide, large regional and local financial institutions. According to the June 30, 2012 FDIC Summary of Deposits Market Share Report, Clifton Savings Bank ranked 72nd out of 231 institutions in the New York-Northern New Jersey-Long Island, NY-NJ-PA Metropolitan Statistical Area (MSA) with 0.07% of deposits. JPMorgan Chase Bank, N.A. ranked first with 950 offices in the MSA and 34.5% of the deposits. Other financial institutions include The Bank of New York Mellon, ranked second with 1 office and 7.9% of deposits, and Bank of America, N.A., ranked third with 477 offices and 7.8% of the deposits.

For the calendar year 2011, according to the Market Share Report utilizing 2011 Peer Mortgage Data, Clifton ranked 50th out of 332 institutions, with a 0.34 percent in market share of home purchase or origination mortgage loans; outranking most of its local competitors. The evaluation period for the Lending Test for home mortgages reported under the Home Mortgage Disclosure Act (HMDA) is from September 30, 2010 to December 31, 2012.

Clifton's last Public Evaluation (PE) was dated December 27, 2010 and the overall CRA rating assigned was **Needs to Improve**. No branches were opened or closed since the last evaluation period.

Description of Assessment Area(s)

Clifton's assessment area (AA) meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. Clifton's assessment area (AA)

consists of Essex County in the Newark-Union, NJ-PA Metropolitan Division (MD) #35084, as well as Bergen and Passaic Counties in the New York-White Plains-Wayne, NY-NJ MD #35644. Both MDs are contiguous and are located in the larger New York-Northern New Jersey-Long Island, NY-NJ-PA Metropolitan Statistical Area (MSA) #35620, which was treated as one assessment area. This assessment area contained 489 census tracts (“CTs” or “geographies”).

The performance of the Bergen and Passaic Counties (Bergen-Passaic MD) and the performance of Essex County (Essex MD) were materially different from the overall MSA. Bergen County is the most populous county in the state of New Jersey. The Bureau of Economic Analysis ranked Bergen County as having the 20th-highest per capita income of all 3,113 counties in the United States and the fourth highest in New Jersey. Passaic County is the ninth-most populous county in the state of New Jersey. Both Bergen and Passaic counties have benefited from their geographical proximity to New York City. Essex County has the second largest population, is the second most densely populated county, and includes Newark, the largest city in New Jersey. Both the Bergen-Passaic MD and the Essex MD are impacted by a high cost of living. In 2013, Bergen County was titled most expensive county in the state of New Jersey and Passaic County was ranked sixth.

Major employers within the AA include Newark International Airport, Verizon Communications, and the University of Medicine/Dentistry of New Jersey. Many local residents travel to New York City for employment. The major employers in the immediate Clifton area include Hackensack University Medical Center, Toys ‘R’ Us, and Valley Health Systems. The major employment sector for both MDs is healthcare and social services, followed by the retail trades. The manufacturing sector ranks first in the Bergen-Passaic MD and third in the Essex MD. The unemployment rates in Bergen County and Passaic County were 7.7% and 11.1% in December 2012, an increase from December 2011 rates of 7.3% and 10.7%, respectively. The unemployment rate in Essex County increased from 10.2% in December 2011 to 10.5% in December 2012. Passaic and Essex Counties unemployment rates consistently ranked higher than the unemployment rate in the New York-Northern New Jersey-Long Island, N.Y.-N.J.-Pa. Metropolitan Statistical Area (MSA), at 8.5% and the unemployment rate for the state of New Jersey, at 9.5%.

Based on 2000 Census data, Clifton’s current AA included a total of 460 CTs. It included 77 low-income CTs (16.7%), 92 moderate-income CTs (20%), 80 middle-income CTs (17.4%) and 210 upper-income CTs (45.6%). The total population in the AA was 2,166,800 and the median cost of housing was \$209,653. The percentage of households below the poverty level was 10%. The AA’s population comprised 551,333 families with the following family income distribution: 19.5% low-income, 14.2% moderate-income, 17.1% middle-income, and 49.2% upper-income.

Based on 2000 Census data, the Essex MD consisted of 212 CTs. This MD includes all Essex county tracts. It meets the requirements of HMDA and does not arbitrarily exclude any low-or moderate-income areas. The total population in the AA was

793,633 and the median cost of housing was \$90,600. The percentage of households below the poverty level was 15%. Below is a summary of some demographic information for this MD:

| Demographic Information for Full Scope Area: 35084 Essex 2011 | | | | | | |
|--|---------|-------------------------|---|-------------------|--------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts/BNAs) | 212 | 33.02 | 32.08 | 13.21 | 21.70 | 0.00 |
| Population by Geography | 793,633 | 25.48 | 32.74 | 15.33 | 26.45 | 0.00 |
| Owner-Occupied Housing by Geography | 129,489 | 9.60 | 22.54 | 19.91 | 47.95 | 0.00 |
| Business by Geography | 69,715 | 21.59 | 25.83 | 14.44 | 38.14 | 0.00 |
| Farms by Geography | 604 | 6.13 | 15.23 | 22.02 | 56.62 | 0.00 |
| Family Distribution by Income Level | 194,654 | 32.56 | 17.76 | 17.91 | 31.77 | 0.00 |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 97,949 | 37.83 | 39.93 | 11.80 | 10.44 | 0.00 |
| Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level | | 68,424 90,600 15% | Median Housing Value Unemployment Rate (2000 US Census) | 178,002 8.4%** | | |

(*) The NA category consists of geographies that have not been assigned an income classification.

(**) Bureau of Labor Statistics, December 2011, unemployment rate for NY-NJ-PA Metropolitan Statistical Area.

Source: 2000 US Census and 2011 HUD updated MFI

Based on 2000 Census data, the Bergen-Passaic MD consisted of 248 CTs. This MD includes all of Bergen and Passaic counties tracts. It meets the requirements of HMDA and does not arbitrarily exclude any low-or moderate-income areas. The total population in the AA was 1,373,167 and the median cost of housing was \$67,400. The percentage of households below the poverty level was 7%. Below is a summary of demographic information for this MD:

| Demographic Information for Full Scope Area: 35644 Bergen Passaic 2011 | | | | | | |
|--|-----------|------------------------|---|-------------------|--------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts/BNAs) | 248 | 2.82 | 9.68 | 20.97 | 66.13 | 0.40 |
| Population by Geography | 1,373,167 | 1.74 | 9.41 | 21.53 | 67.29 | 0.03 |
| Owner-Occupied Housing by Geography | 313,408 | 0.17 | 2.85 | 14.38 | 82.60 | 0.00 |
| Businesses by Geography | 140,139 | 1.54 | 5.39 | 19.83 | 73.17 | 0.07 |
| Farms by Geography | 2,010 | 0.20 | 2.34 | 13.98 | 83.48 | 0.00 |
| Family Distribution by Income Level | 356,679 | 12.34 | 12.29 | 16.63 | 58.74 | 0.00 |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 87,861 | 4.16 | 19.63 | 29.77 | 46.44 | 0.00 |
| Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level | | 49,461 67,400 7% | Median Housing Value Unemployment Rate (2000 US Census) | 228,338 8.4%** | | |

(*) The NA category consists of geographies that have not been assigned an income classification.

(**) Bureau of Labor Statistics, December 2011, unemployment rate for NY-NJ-PA Metropolitan Statistical Area.

Source: 2000 US Census and 2011 HUD updated MFI

Based on 2010 Census data, Clifton's AA has a total of 489 CTs. It includes 85 low-income CTs (17.4%), 94 moderate-income CTs (19.2%), 86 middle-income CTs (17.6%) and 221 upper-income CTs (45.2%). The total population in the AA was 2,190,311 and the median cost of housing was \$422,229. The percentage of households below the poverty level was 11%. The AA's population comprised 533,586

families with the following family income distribution: 19.6% low-income, 17.5% moderate-income, 23.0% middle-income, and 39.8% upper-income.

Based on 2010 Census data, the Essex MD consisted of 210 CTs. This MD includes all of Essex county tracts. It meets the requirements of the HMDA and does not arbitrarily exclude any low-or moderate-income areas. The total population in the AA was 783,969 and the median cost of housing in the AA was \$91,900. The percentage of households below the poverty level was 15%. Below is a summary of some demographic information for this MD:

| Demographic Information for Full Scope Area: 35084 Essex 2012 | | | | | | |
|--|---------|------------|------------------------------------|---------------|--------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts/BNAs) | 210 | 30.95 | 33.33 | 12.86 | 21.90 | 0.95 |
| Population by Geography | 783,969 | 25.94 | 33.05 | 13.21 | 27.20 | 0.60 |
| Owner-Occupied Housing by Geography | 130,969 | 10.47 | 23.68 | 17.81 | 48.04 | 0.00 |
| Business by Geography | 63,750 | 20.13 | 24.90 | 13.52 | 40.63 | 0.82 |
| Farms by Geography | 618 | 9.06 | 13.59 | 19.09 | 58.25 | 0.00 |
| Family Distribution by Income Level | 182,826 | 32.47 | 17.89 | 17.60 | 32.04 | 0.00 |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 92,073 | 38.04 | 41.29 | 9.89 | 10.76 | 0.03 |
| Median Family Income | | 87,598 | Median Housing Value | 365,615 | | |
| HUD Adjusted Median Family Income for 2012 | | 91,900 | Unemployment Rate (2010 US Census) | 8.5%** | | |
| Households Below Poverty Level | | 15% | | | | |

(*) The NA category consists of geographies that have not been assigned an income classification.

(**) Bureau of Labor Statistics, December 2012, unemployment rate for NY-NJ-PA Metropolitan Statistical Area.

Source: 2010 US Census and 2012 HUD updated MFI

Based on 2010 Census data, the Bergen-Passaic MD consisted of 279 CTs. This MD includes all of Bergen and Passaic counties tracts. It meets the requirements of the HMDA and does not arbitrarily exclude any low-or moderate-income areas. The total population in the AA was 1,406,342 and the median cost of housing in the AA was \$68,300. The percentage of households below the poverty level was 9%. Below is a summary of some demographic information for this MD:

| Demographic Information for Full Scope Area: 35644 Bergen Passaic 2012 | | | | | | |
|--|-----------|------------|------------------------------------|---------------|--------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts/BNAs) | 279 | 7.17 | 8.60 | 21.15 | 62.72 | 0.36 |
| Population by Geography | 1,406,342 | 5.57 | 8.91 | 21.50 | 63.99 | 0.03 |
| Owner-Occupied Housing by Geography | 314,447 | 0.98 | 3.78 | 16.93 | 78.31 | 0.00 |
| Business by Geography | 133,061 | 3.71 | 5.39 | 21.61 | 69.21 | 0.08 |
| Farms by Geography | 2,060 | 1.02 | 3.35 | 15.53 | 80.10 | 0.00 |
| Family Distribution by Income Level | 350,760 | 15.11 | 11.81 | 15.83 | 57.24 | 0.00 |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 94,441 | 12.47 | 17.52 | 28.56 | 41.45 | 0.00 |
| Median Family Income | | 64,171 | Median Housing Value | 455,759 | | |
| HUD Adjusted Median Family Income for 2012 | | 68,300 | Unemployment Rate (2010 US Census) | 8.5%** | | |
| Households Below Poverty Level | | 9% | | | | |

(*) The NA category consists of geographies that have not been assigned an income classification.

(**) Bureau of Labor Statistics, December 2012, unemployment rate for NY-NJ-PA Metropolitan Statistical Area.

Source: 2010 US Census and 2012 HUD updated MFI

Conclusions with Respect to Performance Tests

LENDING TEST

Clifton's performance under the lending test is **satisfactory**. The evaluation period covered home mortgage purchase loans reported under the Home Mortgage Disclosure Act (HMDA) from January 1, 2011 through December 31, 2012. These loans were the only products reviewed due to the business focus of the bank.

All criteria of the lending test are documented below:

Loan-to-Deposit Ratio

Clifton's net loan-to-deposit (LTD) ratio is **reasonable** given the institution's size, financial condition and assessment area credit needs. The bank's net loan-to-deposit ratio averaged 54% over the 10 quarters since the last CRA examination, with a quarterly low of 51% and a quarterly high of 57%.

The bank's net loan-to-deposit ratio, although trending higher during the review period, is **lower than the average** quarterly ratios of other similarly situated banks with similar asset size. Clifton ranks fourth amongst a total of five similarly situated banks. The other four banks had an average net loan-to-deposit ratio of 59.27 percent, ranging from 28% to 78% over the 10 quarters since the last CRA examination. Mitigating the bank's performance relative to peer is a steadily increasing trend over the evaluation period.

Lending in Assessment Area

Clifton originated a majority of loans inside its assessment area during the evaluation period. The following table details the bank's lending within the AA by volume and dollar amount of loans.

| Lending in Assessment Area 2011 | | | | | | | | | | |
|---------------------------------|-----------------|-------|---------|-------|-------|---------------------------------|-------|----------|-------|----------|
| Loan Type | Number of Loans | | | | | Dollars of Loans (in thousands) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Purchase Loans | 60 | 23.53 | 33 | 12.94 | 93 | \$17,120 | 21.00 | \$9,895 | 12.14 | \$27,015 |
| Home Refinance Loans | 61 | 23.92 | 66 | 25.88 | 127 | \$20,111 | 24.67 | \$24,715 | 30.31 | \$44,826 |
| Home Improvement Loans | 19 | 7.45 | 16 | 6.27 | 35 | \$5,055 | 6.20 | \$4,632 | 5.68 | \$9,687 |
| Totals | 140 | 54.90 | 115 | 45.10 | 255 | \$42,286 | 51.87 | \$39,242 | 48.13 | 81,528 |

Source: 2011 HMDA Data based on 2000 Census

| Lending in Clifton's Assessment Area 2012 | | | | | | | | | | |
|---|-----------------|-------|---------|-------|-------|---------------------------------|-------|----------|-------|----------|
| Loan Type | Number of Loans | | | | | Dollars of Loans (in thousands) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Purchase Loans | 52 | 17.75 | 49 | 16.72 | 101 | \$14,855 | 16.79 | \$14,750 | 16.68 | \$29,605 |
| Home Refinance Loans | 84 | 28.67 | 71 | 24.23 | 155 | \$23,257 | 26.29 | \$24,626 | 27.84 | \$47,883 |
| Home Improvement Loans | 24 | 8.19 | 13 | 4.44 | 37 | \$5,291 | 5.98 | \$5,675 | 6.42 | \$10,966 |
| | 160 | 54.61 | 133 | 45.93 | 293 | \$44,033 | 49.78 | \$45,051 | 50.93 | \$88,454 |

Source: 2012 HMDA Data based on 2010 Census

Lending to Borrowers of Different Incomes

The distribution of loans to borrowers reflects **reasonable penetration** among borrowers of different income levels, given the bank's product offerings and local economic conditions. The borrower distribution of loans in the Bergen-Passaic and Essex MDs were both reasonable. We placed more weight on the home mortgage purchase lending performance since most of the loans made by the bank were home mortgage purchase loans.

Performance in the Essex MD

The borrower distribution of loans in the Essex MD was **reasonable**.

Based on the 2000 Census Data, the bank made 30.0% of its home mortgage purchase loans in the Essex MD to low- and moderate-income borrowers. The ratio **meets** the aggregate lender's level of 29.13% of total home mortgage purchase loans originated. The level of home mortgage purchase loans originated to low- and moderate-income borrowers in the Essex MD **does not meet standards** of satisfactory performance and is lower than the percentage of low- and moderate income families in the AA. When considering the affordability of housing in the Essex MD, this performance is reasonable. The median cost of housing in the Essex MD is \$178,002 based on 2000 Census Data. The HUD updated median family income for 2011 is \$90,600. This means that a low-income person earns less than \$44,394 in the Essex MD. Based on these statistics, it would be difficult for a low-income individual to purchase housing in the Essex MD.

| Essex 2011 Distribution of Clifton Savings Bank's Home Mortgage Purchase Loans By Borrower Income Level in the Assessment Area | | | | |
|--|------------|----------------|-----------------------|----------------|
| Borrower Income Category | % of Loans | % of \$ Volume | % Family Distribution | % of Aggregate |
| Low | 20.00 | 6.41 | 32.56 | 5.40 |
| Moderate | 10.00 | 6.89 | 17.76 | 23.73 |
| Middle | 10.00 | 6.30 | 17.91 | 25.42 |
| Upper | 60.00 | 80.40 | 31.77 | 45.45 |
| Total # or \$ | 100.00 | 100.00 | 100.00 | 100.00 |

Source: 2011 HMDA Data based on 2000 Census

Based on the 2010 Census Data, the bank made 71.43% of its home mortgage purchase loans in the Essex MD to low- and moderate-income borrowers. The

demographic report shows that the percent of aggregate data of total home mortgage purchase loans originated is not available for the different income levels at this time. The level of home mortgage purchase loans originated to low-income borrowers in the AA **meets standards** of satisfactory performance and is near the percentage of low-income families for the AA. The level of home mortgages to moderate-income borrowers, however, **exceeds** the percentage of moderate-income families for the AA. When considering the affordability of housing in the Essex MD, this performance is reasonable. The median cost of housing in the Essex MD is \$365,615 based on 2010 Census Data. The HUD updated median family income for 2012 is \$91,900. This means that a low-income person earns less than \$45,031 in the Essex MD. Additionally, the HUD median family income for 2012 remained the same while the cost of housing more than doubled by 105.40%. Based on these statistics, it would be difficult for a low-income individual to purchase housing in the Essex MD.

| Essex 2012 Distribution of Clifton Savings Bank's Home Mortgage Purchase Loans By Borrower Income Level in the Assessment Area | | | | |
|--|------------|----------------|-----------------------|----------------|
| Borrower Income Category | % of Loans | % of \$ Volume | % Family Distribution | % of Aggregate |
| Low | 28.57 | 25.37 | 32.47 | N/A |
| Moderate | 42.86 | 53.24 | 17.89 | N/A |
| Middle | 14.29 | 10.73 | 17.60 | N/A |
| Upper | 14.29 | 10.65 | 32.04 | N/A |
| Total # or \$ | 100.00 | 100.00 | 100.00 | 100.00 |

Source: 2012 HMDA Data based on 2010 Census

Performance in the Bergen-Passaic MD

The borrower distribution of loans in the Bergen-Passaic MD was **reasonable**.

Based on the 2000 Census Data, the bank made 17.95% of its home mortgage purchase loans in the Bergen-Passaic MD to low- and moderate-income borrowers. The ratio **exceeds** the aggregate lender's level of 8.50% of total home mortgage purchase loans originated. The ratio consists only of moderate-income borrowers as Clifton did not originate home mortgage purchase loans to low-income borrowers in the Bergen-Passaic MD, and reflects poor penetration to low-income family borrowers in this area. The level of home mortgages to moderate-income borrowers, however, **exceeds** the percentage of moderate-income families for the AA. When considering the affordability of housing in the Bergen-Passaic MD, this performance is reasonable. The median cost of housing in the Bergen-Passaic MD is \$228,338 based on 2000 Census Data. The HUD updated median family income for 2011 is \$67,400. This means that a low-income person earns less than \$33,026 in the Bergen-Passaic MD. Based on these statics, it would be difficult for a low-income individual to purchase housing in the Bergen-Passaic MD.

| Bergen Passaic 2011 Distribution of Clifton Savings Bank's Home Mortgage Purchase Loans By Borrower Income Level in the Assessment Area | | | | |
|---|--|--|--|--|
|---|--|--|--|--|

| Borrower Income Category | % of Loans | % of \$ Volume | % Family Distribution | % of Aggregate |
|--------------------------|------------|----------------|-----------------------|----------------|
| Low | 0.00 | 0.00 | 12.34 | 0.75 |
| Moderate | 17.95 | 11.51 | 12.29 | 7.75 |
| Middle | 12.82 | 11.01 | 16.63 | 23.44 |
| Upper | 69.23 | 77.49 | 58.74 | 67.84 |
| Total # or \$ | 100.00 | 100.00 | 100.00 | 100.00 |

Source: 2011 HMDA Data based on 2000 Census

Based on the 2010 Census Data, the bank made 16.67% of its home mortgage purchase loans in the Bergen-Passaic MD to low- and moderate-income borrowers. The demographic report shows that the percent of aggregate data of total home mortgage purchase loans originated is not available for the different income levels at this time. The level of home mortgage purchase loans originated to low-income borrowers in the AA **does not meet standards** of satisfactory performance and is significantly lower than the percentage of low-income families for the AA. The level of home mortgages to moderate-income borrowers, however, **meets standards**, with a range of performance that is near the percentage of moderate-income families in the AA. When considering the affordability of housing in the Bergen-Passaic MD, this performance is reasonable. The median cost of housing in the Bergen-Passaic MD is \$455,759 based on 2010 Census Data. The HUD updated median family income for 2012 is \$68,300. This means that a low-income person earns less than \$30,870 in the Bergen-Passaic MD. Additionally, HUD median family income for 2012 decreased, while the cost of housing increased by 99.60%. Based on these statistics, it would be difficult for a low-income individual to purchase housing in the Bergen-Passaic MD.

| Bergen-Passaic 2012 Distribution of Clifton Savings Bank's Home Mortgage Purchase Loans By Borrower Income Level in the Assessment Area | | | | |
|---|------------|----------------|-----------------------|----------------|
| Borrower Income Category | % of Loans | % of \$ Volume | % Family Distribution | % of Aggregate |
| Low | 2.78 | 0.87 | 15.11 | N/A |
| Moderate | 13.89 | 4.06 | 11.81 | N/A |
| Middle | 13.89 | 7.81 | 15.83 | N/A |
| Upper | 69.44 | 87.26 | 57.24 | N/A |
| Total # or \$ | 100.00 | 100.00 | 100.00 | 100.00 |

Source: 2012 HMDA Data based on 2010 Census

Geographic Distribution of Loans

The distribution of loans reflects **reasonable dispersion** throughout the bank's AA. This is based on Clifton's size and competitive factors, and considers the bank's involvement in area community development lending. The geographic distribution of loans reflects excellent dispersion in the Essex MD and reasonable dispersion in the Bergen-Passaic MD. We put more weight on the home mortgage purchase lending performance since most of the loans made by the bank were home mortgage purchase loans. There were no conspicuous gaps identified within Clifton's AA. The bank continues to face the challenge of limited opportunities in the low- and moderate-income communities, especially in the Bergen-Passaic MD, which is due to the limited amount of low- and moderate-income census tracts in the AA. Lending opportunities for Clifton

in low- and moderate-income census tracts is limited by factors such as the bank not having any branches in low- or moderate-income census tracts, and the extended distance between the bank’s branches and low-moderate income tracts, coupled with the presence of several other community banks within those tracts.

Performance in the Essex MD

The distribution of loans reflects an **excellent dispersion** throughout this MD in the bank’s AA.

Based on the 2000 Census Data, the bank’s geographic distribution of home mortgage purchase loans in the Essex MD for 2011 reflects a **reasonable dispersion** throughout census tracts of different incomes and **meets standards** of satisfactory performance. The bank’s performance for home mortgage purchase loans to low and moderate income borrowers is similar to the AA level of homes occupied by low and moderate income individuals.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level:

| Essex 2011 Distribution of Clifton Savings Bank’s Home Mortgage Purchase Loans By Census Tract Income Level in the Assessment Area | | | | |
|--|------------|----------------|------------------|----------------|
| Census Tract Income Category | % of Loans | % of \$ Volume | % Owner Occupied | % of Aggregate |
| Low | 8.33 | 3.37 | 9.60 | 16.61 |
| Moderate | 25.00 | 14.33 | 22.54 | 19.91 |
| Middle | 8.33 | 3.54 | 19.91 | 18.51 |
| Upper | 58.33 | 78.77 | 47.95 | 44.97 |
| Total # or \$ | 100.00 | 100.00 | 100.00 | 100.00 |

Source: 2011 HMDA Data based on 2000 Census

Based on the 2010 Census Data, the bank’s geographic distribution of home mortgage purchase loans in the Essex MD for 2012 reflects an **excellent** dispersion throughout census tracts of different incomes and **exceeds standards** of satisfactory performance. The bank’s performance for home mortgage purchase loans exceeds the AA level of homes occupied by low and moderate income individuals. In particular, the percentage of home mortgage purchase loans originated in the low- and moderate-income census tracts is excellent.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level:

| Essex 2012 Distribution of Clifton Savings Bank’s Home Mortgage Purchase Loans By Census Tract Income Level in the Assessment Area | | | | |
|--|------------|----------------|------------------|----------------|
| Census Tract Income Category | % of Loans | % of \$ Volume | % Owner Occupied | % of Aggregate |

| | | | | |
|----------------------|--------|--------|--------|--------|
| Low | 18.18 | 12.83 | 10.47 | N/A |
| Moderate | 45.45 | 33.74 | 23.68 | N/A |
| Middle | 18.18 | 29.04 | 17.81 | N/A |
| Upper | 18.18 | 24.39 | 48.04 | N/A |
| Total # or \$ | 100.00 | 100.00 | 100.00 | 100.00 |

Source: 2012 HMDA Data based on 2010 Census

Performance in the Bergen-Passaic MD

The distribution of loans reflects **reasonable dispersion** throughout this MD in the bank’s AA.

Based on the 2000 Census Data, the bank’s geographic distribution of home mortgage purchase loans in the Bergen-Passaic MD in 2011 reflects a **reasonable dispersion** throughout census tracts of different incomes and **meets standards** of satisfactory performance. The bank’s performance for home mortgage purchase loans in low and moderate income census tracts compared to the percent of the AA’s owner occupied housing is **lower**. However, during the review period, the bank funded four community development loans, three of which are located in low- and moderate-income census tracts in the AA.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level:

| Bergen Passaic 2011 Distribution of Clifton Savings Bank’s Home Purchase Loans By Census Tract Income Level in the Assessment Area | | | | |
|---|-------------------|-----------------------|-------------------------|-----------------------|
| Census Tract Income Category | % of Loans | % of \$ Volume | % Owner Occupied | % of Aggregate |
| Low | 0.00 | 0.00 | 0.17 | 0.34 |
| Moderate | 2.17 | 0.91 | 2.85 | 4.23 |
| Middle | 17.39 | 12.71 | 14.38 | 16.22 |
| Upper | 80.43 | 86.38 | 82.60 | 79.20 |
| Total # or \$ | 100.00 | 100.00 | 100.00 | 100.00 |

Source: 2011 HMDA Data based on 2000 Census

Based on the 2010 Census Data, the bank’s geographic distribution of home mortgage purchase loans in the Bergen-Passaic MD in 2012 reflects an **excellent dispersion** throughout census tracts of different incomes and **exceeds standards** of satisfactory performance. The bank’s performance for home mortgage purchase loans **exceeds** the level of owner occupied housing in the AA. In particular, the percentage of home mortgage purchase loans originated in the low- and moderate-income census tracts is **excellent**.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level:

| Bergen-Passaic 2012 Distribution of Clifton Savings Bank's Home Mortgage Purchase Loans By Census Tract Income Level in the Assessment Area | | | | |
|---|------------|----------------|------------------|----------------|
| Census Tract Income Category | % of Loans | % of \$ Volume | % Owner Occupied | % of Aggregate |
| Low | 2.44 | 0.38 | 0.98 | N/A |
| Moderate | 4.88 | 1.65 | 3.78 | N/A |
| Middle | 17.07 | 7.64 | 16.93 | N/A |
| Upper | 75.61 | 90.33 | 78.31 | N/A |
| Total # or \$ | 100.00 | 100.00 | 100.00 | 100.00 |

Source: 2012 HMDA Data based on 2010 Census

Responses to Complaints

The bank has **not received any complaints** since the prior examination regarding its performance in meeting the credit needs of the AA.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test is rated **outstanding**. During the evaluation period, Clifton provided over \$24 million or 14.8% of Tier 1 capital in community development loans, donations and CRA qualified investments to help meet the community development (CD) needs of its AA. In addition, bank personnel provided financial expertise to two community development organizations serving the AA. The bank's level of CD activities is **excellent** given its size and capacity, and considering the CD needs and opportunities of its AA.

Clifton has demonstrated **excellent responsiveness** to the community development needs of its AA, considering its capacity and the needs and opportunities of its AA.

Number and Amount of Community Development Loans

Clifton has provided an **adequate** level of community development loans within its AA. The bank regularly participated in community development lending projects through the Thrift Institutions Community Investment Corporation (TICIC), a subsidiary of the New Jersey League of Community Bankers. TICIC was formed by New Jersey based thrift institutions to assist in developing statewide community development projects, including those in the AA. Financing for these projects is also being provided by various sources, including the New Jersey Home Mortgage Finance Agency (NJHMFA). Clifton was involved in four community development loans with TICIC in its AA since the last CRA examination totaling \$2.2 million as follows:

- \$251,142 for the rehabilitation of 30 residential units located in a low-income census tract; units will be affordable to households making 60% or less of the average median income (AMI).

- \$428,910 to construct 44 affordable condominium units in low-income census tracts; units will be priced at affordable levels for low- and moderate-income buyers, below-market levels with deed restrictions
- \$700,000 to construct 28 affordable condominium units in moderate-income census tracts; 5 units or 18% of the units were priced to low- and moderate-income purchasers.
- \$820,587 to refinance a current TICIC loan with take out money for capital improvements; 126 of 251 units are to affordable low- and moderate-income tenants.

Number and Amount of Qualified Investments

Clifton has provided an **excellent** level of qualified investments throughout its AA. The bank made ten qualified investments totaling \$17.5 million for the primary purpose of providing affordable housing for low- or moderate-income individuals, which benefited the AA or the broader statewide or regional area. The investment pools are backed by mortgage loans to low- and moderate-income borrowers or in low- and moderate-income census tracts, or both. These purchases since the last examination included:

- \$14.4 million in eight (8) FNMA mortgage backed securities secured by sixty-nine conventional mortgage loans to LMI borrowers and LMI census tract areas.
- \$1.6 million in one (1) FHLMC mortgage backed security secured by seven conventional mortgage loans to LMI borrower for purchase of single family homes.
- \$1.5 million in one (1) GNMA mortgage backed security backed by eight FHA/VA mortgage loans to LMI borrowers.

In addition, Clifton continues to have nine outstanding investments, with a current balance of \$4.6 million. Seven were purchased FHLMC, GNMA, or FNMA mortgage backed securities. These loans were either secured by properties located in LMI geographies or granted to LMI borrowers in the assessment area. The other two outstanding investments were to New Jersey Community Capital (NJCC), a New Jersey certified Community Development Financial Institution (CDFI). This organization provides financing for affordable housing, community service facilities, and small business enterprises in the assessment area and a broader statewide or regional area that includes the assessment area.

Clifton provided \$59,230 in donations to seven community development organizations. These organizations provide affordable housing, community service facilities, job training and education programs, and assistance for small business enterprises. The largest donations were to Paterson Habitat for Humanity and Bergen County Division of Community Development.

Extent to Which the Bank Provides Community Development Services

Clifton has provided an **excellent** level of community development services throughout its assessment area.

The bank along with other institutions in the AA, sponsored two, three-day homebuyer workshops through the Bergen County Department of Community Development. The workshops provided counseling targeted at first time homebuyers, particularly low- and moderate-income buyers. Bergen County is one of the most affluent counties in the state, and the cost of housing is, as one would expect, correspondingly high. This provides challenges for both the bank and potential homebuyers. These workshops are designed to help individuals, particularly low- and moderate-income individuals, prepare for homeownership. The workshops also introduce them to housing and mortgage finance services available through the county and the sponsoring banks.

Clifton's Executive Officers and employees attended two Homeownership Fairs sponsored by the Bergen County Division of Community Development targeted at low- and moderate-income individuals. The officers and employees provided information and conversed with attendees to help prepare them for homeownership.

An Executive Officer of the bank taught a financial literacy class for Hope 4 All CDC, which operates the Jericho Road Homeless Shelter in Paterson, the municipality in Passaic County with the highest concentration of LMI individuals and homeless individuals. The purpose of the seminar was to educate the attendees in financial matters, to enable them to escape from homelessness.

Responsiveness to Community Development Needs

Clifton demonstrates **excellent responsiveness** to the community development needs of its AA. This is **noteworthy** considering the needs, opportunities, and the performance context surrounding the bank.

Identified needs include more affordable housing and social services for low- and moderate-income individuals. Each of the banks' four community development loans was targeted to an identified community development need for affordable housing. The bank also has in place the Liberalization CRA LMI lending program. The intent of the program is to enable more applicants to qualify for homeownership through elevating underwriting ratios, fee concessions etc.

In addition to the significant amount in qualified investments, the bank collaborated with local community organizations and provided an additional \$59,230 in donations that provide community services to low- and moderate-income individuals; and its officers provided financial literacy and technical assistance to two different qualified organizations that provide needed community services to the low- and moderate-income population in this AA.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or federal savings association's (FSA) CRA rating, respectively, the OCC

considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance. **We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.**