

PUBLIC DISCLOSURE

October 4, 1993

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Provident Savings Bank, F.A.
Docket Number **05190**

38-40 New Main Street
Haverstraw, New York 10927

Office of Thrift Supervision
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Jersey City, New Jersey 07302

* NOTE: 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.*

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Provident Savings Bank, F.A. (the "institution") prepared by the Office of Thrift Supervision, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of October 4, 1993. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

This institution is rated "Outstanding" based on the findings presented below:

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

ASSESSMENT FACTOR A - ACTIVITIES CONDUCTED BY THE INSTITUTION TO ASCERTAIN THE CREDIT NEEDS OF ITS COMMUNITY, INCLUDING THE EXTENT OF THE INSTITUTION'S EFFORTS TO COMMUNICATE WITH MEMBERS OF ITS COMMUNITY REGARDING THE CREDIT SERVICES BEING PROVIDED BY THE INSTITUTION.

The institution's strong ascertainment efforts have resulted in sponsorship of affordable housing seminars, development of innovative loan programs, and participation in special credit programs targeted to low- and moderate-income and minority borrowers within the delineated community.

The institution actively ascertains credit needs through various community development and housing advocate groups. These include: the Rockland County Housing Action Coalition (RHAC), the Hispanic Coalition (Haverstraw), the Rockland County Community Development Council, the Rockland County Development Agency, the Housing Coalition of Tarrytown, and the Cornell Cooperative Extension. Credit extensions to develop affordable housing have resulted from these efforts, particularly in low- and moderate-income and minority communities.

Senior executives actively participate in affordable housing conferences, including those sponsored by the institution. These have included: Fannie Mae (FNMA), the Ramapo Task Force for Affordable Housing, the Rockland County Board of Realtors, and the Rockland County Community Action Council. The institution was a principal sponsor of the Rockland County Board of Realtors Annual Residential and Commercial Mortgage Seminar and Trade Show.

Institution personnel interact with local government officials, community organizations, religious, fraternal, and school groups to ascertain needs for loan and deposit products. Such contacts, as well as those above, have resulted in special loan programs with lower rates and closing costs.

Market research is conducted to determine the needs of both existing customers and delineated community residents in general. Demographic analysis is used as an integral part of this research.

ASSESSMENT FACTOR C - THE EXTENT OF PARTICIPATION BY THE INSTITUTION'S BOARD OF DIRECTORS IN FORMULATING THE INSTITUTION'S POLICIES AND REVIEWING ITS PERFORMANCE WITH RESPECT TO THE PURPOSES OF THE COMMUNITY REINVESTMENT ACT.

The board of directors plays an important role in establishing CRA policy and reviewing the institution's performance. Directors receive reports on affordable housing initiatives, review lending and deposit activity reports, discuss marketing campaigns, and approve CRA training efforts for staff personnel.

During the review period the board approved participation in a variety of special credit programs that offer homeownership opportunities with low down payments and closing costs, more flexible underwriting criteria, and counseling for prospective borrowers.

The board has approved non-discriminatory lending policies for all loan products, and reviews and approves the CRA statement annually. During the review period management presented a detailed geographic distribution analysis of HMDA-reportable loans, which included characteristics of census tracts and applicants within those tracts.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

ASSESSMENT FACTOR B - THE EXTENT OF THE INSTITUTION'S MARKETING AND SPECIAL CREDIT-RELATED PROGRAMS TO MAKE MEMBERS OF THE COMMUNITY AWARE OF THE CREDIT SERVICES OFFERED BY THE INSTITUTION.

The institution has aggressively marketed its credit offerings and loan availability throughout the review period. Deposit and image advertising has been very limited. The primary advertising vehicles have been: Rockland's general circulation daily newspaper; a local county radio station; outdoor billboards; customer and general mailers; branch brochures and counter displays; and telephone solicitations. These methods have proven effective in generating a substantial loan volume throughout the delineated community.

Advertisements during the review period were devoted to homeowner loans, stability of the institution, and emphasized the institution's stature as Rockland's primary mortgage loan provider. During 1993 management included monthly loan advertisements in a Haverstraw-based Spanish language monthly, as well as the general circulation newspaper, and local radio station. Advertisements were again geared towards promoting the institution as a loan provider for all needs. In addition, a new checking account, combined with special services, was promoted to members of the community over 50 years of age.

The institution participates in a number of special credit-related programs to encourage first-time homebuyers and home ownership amongst low- to moderate-income and minority residents. Several community workshops have been conducted under the SONYMA first-time homebuyers program to inform potential borrowers of mortgage availability and qualifying criteria. The institution is co-sponsoring, with the Cornell Cooperative Extension and the Rockland Housing Action Council, a volunteer counseling program for first-time homebuyers. Loan specialists from the institution have assisted in the counseling sessions.

ASSESSMENT FACTOR I - THE INSTITUTION'S ORIGINATION OF RESIDENTIAL MORTGAGE LOANS, HOUSING REHABILITATION LOANS, HOME IMPROVEMENT LOANS AND SMALL BUSINESS OR SMALL FARM LOANS WITHIN ITS COMMUNITY, OR THE PURCHASE OF SUCH LOANS ORIGINATED WITHIN ITS COMMUNITY.

Loan originations demonstrate an affirmative response to the needs of all segments of the delineated community. During the review period independent surveys characterized the institution as the leading originator of residential mortgage loans in Rockland County.

The institution offers first and second mortgages for one-to-four family residences, including construction loans; multifamily mortgages; consumer loans, including deposit-secured, home improvement, auto, personal, and open- and closed-end home equity loans; and commercial loans, including land improvement and development, real-estate secured, lines of credit, and installment loans.

The institution originated 1,719 residential mortgage loans in 1991, 1992, and the first eight months of 1993. Of these, 1,521 (88 percent) were granted in Rockland County totaling \$171.4 million. Management's analysis indicates they are disbursed throughout the delineated community.

During this same period, 759 consumer loans totaling \$5.5 million, 503 closed-end home secured loans totaling \$9.8 million, and 321 home equity lines of credit totaling \$20.6 million were granted. According to management, most of these loans, which are originated at the branches, are located within the delineated community. The highest concentration of consumer loans was originated in Haverstraw, where a substantial Hispanic population resides.

Commercial loans have been actively originated throughout the review period. In the thirty months from April 1991 through September 1993, 403 loans and advances were made totaling \$42.2 million, of which 184 (46 percent) were not real estate-secured. At least 70 of the 270 commercial loan relationships have outstandings under \$100 thousand, which is indicative of service to the small business community. A review of outstanding credits indicates a substantial portion were granted within the delineated community.

ASSESSMENT FACTOR J - THE INSTITUTION'S PARTICIPATION IN GOVERNMENTALLY-INSURED, GUARANTEED OR SUBSIDIZED LOAN PROGRAMS FOR HOUSING, SMALL BUSINESS OR SMALL FARMS.

The institution has positively addressed community credit needs through participation in government programs, and related programs with special features to encourage affordable housing for lower income persons.

The institution has been an approved State of New York Mortgage Agency (SONYMA) lender since August 1991, offering programs to first-time homebuyers, and low- to moderate-income families. Loans totaling \$1.03 million have provided housing for twelve families, including three minority families.

In conjunction with a Federal Home Loan Bank Affordable Housing Program subsidy, provided through the institution, twelve loans for \$769 thousand have been granted in Piermont, New York for moderate-income families. An additional four loan requests for approximately \$250 thousand are presently under review.

Under FNMA's Community Homebuyers Programs, the institution has provided nine loans for \$916 thousand. Seven of these were 95 percent loan-to-value loans, of which three for \$167 thousand were granted to minorities in a low-income census tract in Spring Valley. Five of the loans were granted with flexible, extended debt-to-income ratios.

In August 1993 the institution became a direct participant in the FNMA Community Homebuyers Program, and has accepted one loan application.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

REASONABLENESS OF DELINEATED COMMUNITY

During the review period the institution revised its delineated community to include only Rockland County. Based upon an analysis of loan originations, sources of deposits, and strategic marketing efforts, this delineation is considered reasonable.

ASSESSMENT FACTOR E - THE GEOGRAPHIC DISTRIBUTION OF THE INSTITUTION'S CREDIT EXTENSIONS, CREDIT APPLICATIONS AND CREDIT DENIALS.

An analysis of the geographic distribution of credit applications, loan originations, and denied applicants revealed a reasonable penetration of all segments of the delineated community. Almost nine out of ten mortgages granted during the review period were in Rockland County, with almost all census tracts represented in these originations.

Management performs extensive, continuing analysis of applications, originations, and denials to determine if community outreach and marketing efforts are succeeding. The following chart identifies Rockland County loans granted to applicants and census tracts below median household income during 1991, 1992, and eight months of 1993:

<u>YEAR</u>	<u>#/\$ BY TRACT</u>	<u>\$ < MEDIAN APPLICANTS</u>	<u>% CENSUS TRACT \$'S</u>	<u>% TOTAL LOANS ORIGINATED</u>
1991	120/\$12.7MM	\$4.5MM	35	33
1992	320/\$32.7MM	\$9.6MM	29	39
1993	143/\$15.4MM	\$5.5MM	36	40

Based upon a 1990 census median home value of \$223 thousand, these statistics represent a reasonable penetration of county residents below median income standards. During the same period, the institution granted 256 loans in census tracts with the highest minority concentrations, equaling 17 percent of total Rockland County loans.

Management conducts analysis of HMDA-reportable data to identify application, approval, and denial trends amongst minorities. For the same period, 4 to 6 percent of total applications and approvals in all counties were granted to Blacks and Hispanics. In Rockland, the totals were between 5 and 7 percent. Approval rates for Whites were between 80 and 85 percent, while they were 75 to 80 percent for Blacks and Hispanics. Turndown rates, although higher for minorities, are not considered statistically valid because of the small number of applications.

In order to further understand these results, management analyzed census tracts with the highest minority populations in Rockland County. Although 72 percent of Rockland residences are owner-occupied, such units in these tracts range from less than 20 percent to 60 percent, with the typical tract substantially less than 50 percent owner-occupied. Comparison of median family incomes and housing values in these census tracts suggests most of the homes are valued well above the affordability of resident non-homeowners.

The institution is addressing these mortgage lending issues with the special credit programs and flexible underwriting criteria noted elsewhere in this CRA performance evaluation.

The institution has addressed the need for consumer credit amongst non-homeowners with active origination of non-real estate-secured loans throughout its eight office network. During the 1991 through 1993 period, 187 (25 percent) of 759 consumer loans were granted from the Haverstraw branch, home to Rockland's largest concentration of Hispanic residents.

ASSESSMENT FACTOR G - THE INSTITUTION'S RECORD OF OPENING AND CLOSING OFFICES AND PROVIDING SERVICES AT OFFICES.

Office hours and loan and deposit services provided at the institution's locations affirmatively serve the convenience and needs of the community.

The institution has not opened or closed any offices during the review period. All offices are open Monday through Saturday from 9:00 AM to 4:00 P.M.. Loan applications are accepted at all branches, and trained loan origination personnel are available to help applicants. Loan promotional materials are available in Spanish, which serves a substantial segment of the community. Multi-lingual employees reflect management's recognition of the special needs of many community residents.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

ASSESSMENT FACTOR D - ANY PRACTICES INTENDED TO DISCOURAGE APPLICATIONS FOR TYPES OF CREDIT SET FORTH IN THE INSTITUTION'S CRA STATEMENT(S).

The institution actively solicits credit applications from all segments of the delineated community. There is no evidence of intended discouragement of applications for the types of credit offered by the institution.

Management performs extensive analysis of lending patterns to determine their success in soliciting loan applications. Analysis is developed by income levels, ethnic group, income and ethnic statistics combined, specific census tracts, branch market area, and HMDA-reportable loans. The analysis includes loan approvals, denials, and withdrawals.

Management has acted upon results of this analysis by more aggressively promoting special credit programs, targeting local minority markets, and developing multi-lingual promotional materials.

ASSESSMENT FACTOR F - EVIDENCE OF PROHIBITED DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES.

There was no evidence of prohibited discriminatory practices or other illegal credit practices at the institution.

Management addressed technical violations of Regulation B, in connection with adverse action notices, by revising a loan policy. Self-assessment efforts include non-discrimination audits, which provide for a special review of denied minority mortgage and consumer loan applicants. These reviews include reasons for adverse action, and comparison to the institution's underwriting criteria. No discriminatory practices or trends were noted.

V. COMMUNITY DEVELOPMENT

ASSESSMENT FACTOR H - THE INSTITUTION'S PARTICIPATION, INCLUDING INVESTMENTS, IN LOCAL COMMUNITY DEVELOPMENT AND REDEVELOPMENT PROJECTS OR PROGRAMS.

The institution has made a strong effort to participate in local community development projects and programs. This has resulted in funding housing units for low- to moderate-income persons, providing loans for child care facilities, and loans for special service providers in Rockland County.

Two Federal Home Loan Bank Affordable Housing Program (FHLB AHP) grants were secured during the review period. In August 1991 a \$130 thousand direct grant was received to subsidize a 19-unit moderate- income housing development in Piermont, New York. In addition to individual unit subsidies ranging from \$3.5 to \$9.5 thousand, costs were lowered further by New York State Affordable Housing Corporation grants. The institution also funded individual purchaser loans using special lending programs described above.

In June 1993 a \$90 thousand FHLB AHP grant was received to subsidize a 15-unit project in a lower-income, high minority census tract in Nyack, New York. Prior to this, in April 1993, the board had approved a \$1.25 million construction loan for this condominium project.

In June 1992 a \$55 thousand loan was granted to a Haverstraw church for renovation of their day care facility. An \$88 thousand commitment was approved in September 1993 for a Spring Valley, New York day care facility.

In September 1993 the institution granted loans totaling \$200 thousand to support two residence and special service programs for the physically challenged. In September 1992 \$50 thousand was loaned to a local fire department to help provide community emergency services.

The institution granted \$1.2 million in loans to five religious organizations, to help them provide educational and community services.

ASSESSMENT FACTOR K - THE INSTITUTION'S ABILITY TO MEET VARIOUS COMMUNITY CREDIT NEEDS BASED ON ITS FINANCIAL CONDITION AND SIZE, LEGAL IMPEDIMENTS, LOCAL ECONOMIC CONDITIONS AND OTHER FACTORS.

The institution has affirmatively met the credit needs of the delineated community consistent with its financial condition, size, and local economic conditions.

Total assets were \$465 million as of June 30, 1993, with 63 percent (\$291 million) in loans. Other major investments include mortgage-backed securities (\$84 million), and U.S. Government securities (\$67 million). Mortgage loans totaling \$248 million represent 85 percent of the loan portfolio, with \$193 million concentrated in 1-4 family residential mortgages. Consumer loans totaled \$36 million, including \$22 million in home equity credit lines. The institution is active in secondary market sales, which provides additional funding for active mortgage origination.

The institution operated profitably throughout the review period, and meets all regulatory capital requirements.

ASSESSMENT FACTOR L - ANY OTHER FACTORS THAT, IN THE REGULATORY AUTHORITY'S JUDGMENT, REASONABLY BEAR UPON THE EXTENT TO WHICH AN INSTITUTION IS HELPING TO MEET THE CREDIT NEEDS OF ITS ENTIRE COMMUNITY.

The institution is involved in many non-credit granting endeavors that help to meet the needs of all segments of the delineated community.

Participation in special credit-related programs is enhanced by special efforts to provide marketing brochures in Creole and Spanish and use multi-lingual personnel, to more effectively reach minority and low- to moderate-income residents. The Haverstraw office provides loan product brochures in Spanish, and employs multi-lingual personnel to serve the large local Hispanic population.

In addition to community loan programs, the institution makes special individual efforts to aid non-traditional loan applicants through flexibility in underwriting. This has included working with individuals with delinquent credit, qualifying borrowers based upon extended family incomes, accepting high mortgage debt ratios consistent with applicant rental expenses, as well as helping applicants secure home ownership grants to make a home purchase affordable.

The board of directors has approved monetary contributions to a variety of local civic, fraternal, and educational groups. Included is a major commitment to improving literacy skills of Haverstraw youth. Community development-related contributions include: a countywide Hispanic coalition, which serves as a housing advocate for Hispanics amongst other activities; and a foundation, which provides residences and special services for physically challenged members of the community.