

# **INTERMEDIATE SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**May 8, 2007**

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

**The First National Bank of Long Island  
Charter Number 13126**

**10 Glen Head Road  
Glen Head, New York 11545**

**Comptroller of the Currency  
New York East Field Office  
343 Thornall Street  
Edison, New Jersey 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: Satisfactory.

The primary factors supporting the overall rating are:

- A majority of loans originated during the evaluation period are with the bank's Assessment Area (AA).
- There is an adequate distribution of loans among borrowers of different income levels.
- There is an adequate distribution of loans among census tracts of different income levels.
- The First Bank of Long Island (FNBLI) did not receive any CRA-related complaints during the evaluation period.
- The level of community development activities conducted by the institution is satisfactory.

## **SCOPE OF EXAMINATION**

This Performance Evaluation assesses the bank's performance under the Lending and Community Development Tests. The evaluation under the Lending Test covers the bank's performance from January 1, 2004 through December 31, 2006 for residential mortgages, home equity lines of credit, home improvement loans, and multi-family real estate loans. For the Community Development (CD) Test, the evaluation period is from January 1, 2003 to December 31, 2006. We considered qualified CD loans, investments, and services in conducting this test. No affiliates were reviewed during the course of the examination. A data integrity review was performed beginning on April 23, 2007. The review found, *"The bank's processes and internal controls over HMDA data collection, maintenance, and reporting are satisfactory."*

## **DESCRIPTION OF INSTITUTION**

First National Bank of Long Island (FNBLI) is a full service intrastate bank headquartered in Glen Head, New York. FNBLI has ten full service branches, fourteen commercial banking offices, and two select service banking centers. The majority of the branches are located throughout Nassau and western Suffolk counties on Long Island, while three commercial banking offices are located in Manhattan, New York. FNBLI is the sole subsidiary of the First of Long Island Corporation, a bank holding company. As of December 31, 2006, FNBLI reported total assets of \$954 million and tier one capital of \$95 million. Net loans of \$446 million (47%) and total investments of \$455 million (48%) comprise 95% of the bank's asset structure. Small business loan products include commercial real estate, construction, commercial, installments, Small Business Administration (SBA), and community development loans. SBA-guaranteed loans are offered to borrowers who may not otherwise qualify for conventional commercial loans. Consumer loan products include residential mortgages, home equity lines of credit, home construction loans, automobile and personal loans, VISA credit cards, and overdraft checking. Real estate loans, including commercial and home loan financings, are the primary lending activity of the bank at 87% of total loans. Commercial loans are 12% and consumer loans account for the remaining 1% of the loan portfolio.

FNBLI operates in a highly competitive financial services market with intense competition from large multinational banking institutions, regional banks, savings banks, community banks, mortgage companies, credit unions, finance companies, and credit card companies that provide various banking services and products. As of the June 30, 2006 FDIC Summary of Deposits, FNBLI ranked 17th in deposit share out of forty banks within the Nassau-Suffolk AA, with 22 offices and 0.98% of the market. The leader in the market was North Fork Bank, with 122 offices and 18% of the deposits in the area, followed by JP Morgan Chase, having 74 offices and 14% market share. FNBLI ranked 82<sup>nd</sup> in deposit share out of ninety five banks within the New York AA, with 3 offices and .01% of the market. The leader in that market is JP Morgan Chase with 112 offices and 39% of the deposits in the area, followed by Citibank with 69 offices and 24% market share.

The market analysis indicated that intense competition for mortgage lending is provided by a

multitude of lenders, many of which do not have a banking presence within the bank's market area. Large multinational and regional institutions, as well as larger mortgage companies, provide strong competition for real estate lending. Competition has increased from the regional banks due to Commerce Bank and Wachovia Bank obtaining greater market presence. Savings banks have become very active in lending for multi-family transactions.

There was no merger/acquisition activity that impacted the scope of the bank's operations during the CRA evaluation period. FNBLI has no banking subsidiaries, and therefore there were no activities conducted by affiliates that were considered in this evaluation. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AA. FNBLI's last Public Evaluation (PE) was dated January 27, 2003 and the overall CRA rating assigned was satisfactory. Since the last PE, FNBLI has opened two branches in middle-income geographies within its Assessment Areas. FNBLI has closed no branch offices during the evaluation period.

## **DESCRIPTION OF ASSESSMENT AREAS**

The First National Bank of Long Island has two designated AA's. Both AA's are in the State of New York. The combined AA's are comprised of 502 census tracts (CT). The CT's are located within Nassau, Suffolk, and New York Counties, all of which are located in Metropolitan Statistical Areas (MSA). Nassau and Suffolk counties are located in the Nassau-Suffolk, NY MSA (35004) and New York County is located in the New York-White Plains-Wayne, NY-NJ MSA (35644). All of FNBLI's branch offices and ATM's are located with its AA's. The bank's AA's meet regulatory requirements and do not arbitrarily exclude any low- or moderate-income geographies.

### **NASSAU – SUFFOLK ASSESSMENT AREA**

This AA consists of 377 Census Tracts (CT) including 3 low-income, 39 moderate-income, 229 middle-income, 97 upper-income tracts, and 9 tracts listed as unknown by the US Census Bureau. It consists of portions of Nassau County and northwestern Suffolk County. Economic conditions within the AA are stable. In 2006, the AA's unemployment rate was 1.86%, which is significantly below the 2006 average state unemployment rate of 4.5%.

For FNBLI's Nassau-Suffolk AA, 2000 U.S Census data reports a total population of 1,748,846, total households of 576,238, and total families of 453,729. The updated median family income is based on information from the Department of Housing and Urban Development (HUD). HUD data updated for 2006 reports a weighted average median family income (MFI) of \$91,000. Demographic information derived from annually updated HUD data, also reports that for 2006, of total AA families, 17.11%, 17.38%, 23.18%, and 42.33% are low-, moderate-, middle-, and upper-income respectively.

The table below reflects the assessment area demographics based on 2000 Census results and updated 2006 HUD data:

<b>Assessment Area Demographic Information</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>N/A % of #</b>
<b>Geographies (Census Tracts)</b>	377	.80%	10.34%	60.74%	25.73%	2.39%
<b>Population by Geographies</b>	1,748,846	1.07%	11.64%	62.89%	24.39%	0.01%
<b>Owner-Occupied Housing by Geography</b>	464,693	.25%	7.25%	64.59%	27.91%	0%
<b>Businesses by Geography</b>	173,775	.83%	8.79%	59.42%	30.95%	0.01%
<b>Family Distribution by Income Level</b>	453,729	17.11%	17.38%	23.18%	42.33%	0%
Census Median Family Income = \$84,501 2006 HUD Updated Median Family Income = \$91,000 Households below the Poverty Level = 5.30%			Median Housing Value = \$268,846 Unemployment Rate = 1.86%			

Source: 2000 U.S. Census and 2006 HUD Updated MFI

The biggest concentration of businesses within the Nassau – Suffolk AA is in the service industry (38%). Other large concentrations are retail trade (14%), finance, insurance, and real estate (9%), and construction (7%). Major employers in Nassau and Suffolk Counties include the North Shore Health System, the Diocese of Rockville Centre, the Long Island Railroad, Waldbaums Supermarket, the Winthrop Health System, Cablevision, Home Depot, JP Morgan Chase, Verizon, Stop & Shop Supermarkets, Federated Department Stores, King Kullen Supermarkets, and Keyspan.

Discussions with community leaders in the area who are focused on community development note that while the AA is overall affluent, there are pockets of low-to-moderate income individuals who are going without banking services. The area’s financial institutions could improve marketing towards these people so they are more informed of the products and services offered by banks, which would lead to them being able to take advantage of these offerings.

## **NEW YORK ASSESSMENT AREA**

This assessment area is comprised of portions of southern New York County, known as the borough of Manhattan, which is located within the New York – White Plains – Wayne, NY-NJ MSA (#35644). There are 125 census tracts within this AA including 13 low-income, 15 moderate-income, 13 middle-income, 82 upper-income and 2 tracts listed as unknown by the US Census Bureau. Economic conditions within this AA are also stable. In 2006, the AA’s unemployment rate was 4.10%, just below the state unemployment rate of 4.5%.

For FNBLI’s New York AA, 2000 U.S Census data reports a total population of 557,626, total households of 297,869 and total families of 98,904. HUD data updated for 2006 reports a weighted average median family income (MFI) of \$59,200. Demographic information derived from annually updated HUD data also reports that, for 2006, of total AA families, 23.23%, 11.81%, 12.54%, and 52.42% are low-, moderate-, middle-, and upper-income respectively.

The table below reflects the assessment area demographics based on 2000 Census results and updated 2006 HUD data:

<b>Assessment Area Demographic Information</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>N/A % of #</b>
<b>Geographies (Census Tracts)</b>	125	10.40%	12.00%	10.40%	65.60%	1.60%
<b>Population by Geographies</b>	557,626	13.29%	13.51%	11.74%	61.44%	0.02%
<b>Owner-Occupied Housing by Geography</b>	63,847	0.25%	7.25%	64.59%	27.91%	0%
<b>Businesses by Geography</b>	181,166	3.55%	4.98%	8.53%	80.56%	2.38%
<b>Family Distribution by Income Level</b>	98,904	23.23%	11.81%	12.54%	52.42%	0%
Census Median Family Income = \$78,2031 2006 HUD Updated Median Family Income = \$59,200 Households below the Poverty Level = 13.21%			Median Housing Value = \$331,956 Unemployment Rate = 4.10%			

Source: 2000 U.S. Census and 2006 HUD Updated MFI

Within the New York County AA, the services industry is again the largest at 40%, followed by retail trade (13%), finance, insurance, and real estate (11%), and wholesale trade (7%). Major employers in New York County include New York Presbyterian Healthcare System, Citigroup, JP Morgan Chase, Verizon Communications, and Federated Department Stores.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

We evaluated loans originated between January 1, 2004 and December 31, 2006. We refined our full scope evaluation of borrower and geographic distribution to focus on lending activity in the Nassau-Suffolk AA since 88% of the bank's combined AA census tracts, 96% of the bank's deposits, and 98% of loans are in the Nassau-Suffolk AA. A limited scope review of home loans in the New York AA indicates performance similar to the bank's performance in the Nassau-Suffolk AA.

### **Lending Test**

FNBLI's performance with regard to the lending test is **satisfactory**.

When arriving at the Lending Test conclusions, more weight was placed on home refinance loans since a vast majority of the bank's home loans were refinances. Additionally, more weight was placed on the bank's performance in moderate-income geographies since less than 1% of the census tracts in the AA are low-income.

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

FNBLI's loan to deposit ration does not meet the standard for satisfactory performance.

Lending activity was measured by comparing the loan to deposit ratios reported by FNBLI and

its national peer group since the last CRA examination. The bank's loan to deposit ratio is poor in comparison to peer institutions. The sixteen quarter average loan to deposit ratio for the bank is 44%. In comparison, the peer group reported a sixteen quarter average of 84%. The low loan to deposit ratio is the result of a conservative lending strategy and a focus on the investment portfolio. However, FNBLI's most recent business plan emphasizes the bank's commitment to loan growth. As a result, the ratio steadily increased during the evaluation period. As of December 31, 2006, the loan to deposit ratio stood at 54% and it is expected to increase as the bank's focus to lending has increased. This low loan to deposit ratio is partially mitigated by the bank's significant (\$145,000,000) municipal investments, approximately \$9,000,000 of which are located in the bank's assessment area.

### **Lending in Assessment Area**

FNBLI meets the standard for satisfactory performance for lending in the assessment area. A majority, or 76%, of the bank's HMDA related loans (loans for home purchase, home improvement, and home refinance) originated during the evaluation period are inside the bank's two AA's.

### **Lending to Borrowers of Different Incomes**

FNBLI's record of lending to borrowers of different incomes meets the standard for satisfactory performance since it is reasonable considering the demographic context in which the bank operates. The bank's distribution of home loans for the years 2004-2006 is reasonable when compared to the income distribution of the bank's assessment area. Home loans to low-income borrowers represent 3.96% of total home loans originated, which is lower than the distribution of low-income families of 17.11%. Taking into account that 5.30% of the AA population are living below the poverty level, penetration is considered reasonable. Home loans to moderate-income borrowers represents 22.70% of total home loans originated, which exceeds the 17.38% of moderate-income families in the AA and indicates excellent penetration within the category. The table below provides a breakdown of penetration by loan product.

<b>Borrower Distribution of Residential Real Estate Loans in Nassau-Suffolk AA</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>
Home Purchase	17.11%	0.00%	17.38%	18.00%	23.18%	10.00%	42.33%	72.00%
Home Improvement	17.11%	2.70%	17.38%	10.81%	23.18%	21.62%	42.33%	64.86%
Home Refinance	17.11%	4.61%	17.38%	24.78%	23.18%	19.52%	42.33%	51.10%

*Source: Data reported under HMDA; U.S. Census data.*

## Geographic Distribution of Loans

FNBLI's geographic distribution of lending throughout the AA meets the standard for satisfactory performance.

The geographic distribution of home loans in low- and moderate-income census tracts in the Nassau-Suffolk AA is reasonable compared to the level of owner-occupied housing in the respective census tracts. Lending opportunities in low-income census tracts are limited as only 0.25% of housing units in low-income geographies are owner-occupied. Opportunities in moderate-income geographies are also limited since only 7.25% of housing units in these areas are owner-occupied. The following table details the distribution of residential real estate loans originated by FNBLI during the evaluation period.

<b>Geographic Distribution of Residential Real Estate Loans in Nassau-Suffolk AA</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan type</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>
Home Purchase	0.25%	0.00%	7.25%	1.96%	64.59%	47.06%	27.91%	50.98%
Home Improvement	0.25%	0.00%	7.25%	2.63%	64.59%	50.00%	27.91%	47.37%
Home Refinance	0.25%	0.22%	7.25%	7.56%	64.59%	55.51%	27.91%	36.72%

*Source: Data reported under HMDA; U.S. Census data*

## Responses to Complaints

No complaints have been received by the bank since the prior CRA examination.



## **Community Development Test**

FNBLI's performance with regard to Community Development Test is satisfactory. The bank's performance in the Nassau-Suffolk AA demonstrates adequate responsiveness to community development needs through qualified community development lending, investments, and services. There were no community development loans, investments, or services in the New York AA. The bank has a limited presence in the New York AA.

### **Number and amount of community development loans**

The bank's record of originating CD loans meets the standard for satisfactory performance since the loans. The bank originated twelve community development loans from 2003 to 2006 totaling \$7,600,000. Eleven of the twelve qualifying loans were in the Nassau-Suffolk AA. The bank made one community development loan outside their AA to the New York Business Development Corp (NYBDC) for \$100,000. However, the funds are used for disbursement within the banks AA towards economic development. The mission of the NYBDC is to promote economic activity within New York state by providing innovative loans to small and medium-size businesses and, particularly, to assist minority and women-owned businesses by offering credit opportunities not otherwise available to them.

### **Number and amount of qualified investments**

FNBLI's record of making CD investments within their AA is adequate. Opportunities for purchasing CD investments in the AA exist. However, strong competition for purchasing these CD investments emanates from other financial institutions operating in the AA. We reviewed CRA qualified investments purchased between January 1, 2003 and December 31, 2006. Within this time frame, the bank purchased 1 Federal Home Loan Mortgage Corporation agency and 3 Federal National Mortgage Association agencies totaling \$4,642,494. Additionally, the bank purchased 11 CRA Pools totaling \$14,260,040. The CRA pools are purchased through ABN AMRO Capital Markets. Total qualified investments made during the evaluation period total \$18,902,534.

### **Extent to which the bank provides community development services**

Over the evaluation period, FNBLI provided a good level of CD services, which addressed the credit needs of the AA. CD services provided by the bank include:

FNBLI staff participates in financial literacy seminars held for seniors at Herricks High School. The topics covered include opening and maintaining checking accounts and establishing and building a credit history.

A Senior Officer at FNBLI is actively involved with the Community Development Corporation (CDC). This organization links industry with education to better prepare the students for the future workforce of Long Island. The Senior Officer acts as a guest speaker for their Core Four Business Planning Course throughout the year.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.