



PUBLIC DISCLOSURE

December 31, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

E*TRADE Savings Bank

Charter Number: 718000

**Ballston Tower
671 North Glebe Road
Arlington, VA 22203**

Office of the Comptroller of the Currency

**Large Bank Supervision
400 7th Street SW
Washington, DC 20219**

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.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when evaluating financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of E*TRADE Savings Bank issued by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, for the evaluation period January 1, 2013 through December 31, 2014. The OCC rates the CRA performance of a national bank or a Federal savings association consistent with the provisions set forth in appendix A to 12 CFR 25, or 12 CFR 195, respectively.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The conclusions for the three rating criteria are:

- The bank demonstrates an overall adequate level of community development activities. The levels of qualified investments and community development services are adequate.
- Qualified investments including grants totaled \$72.1 million. Of the amount, \$44.2 million is attributed to the District of Columbia assessment area. As of December 31, 2014, this represents 22 percent of Tier 1 Capital. The remaining \$27.9 million is attributed to all other assessments areas not including the District of Columbia. As of September 30, 2013, the total of qualified investments including grants in all other assessment areas represents 15 percent of Tier 1 Capital. These levels of qualified investments support the institution's CRA rating given the evaluation periods for assessments areas.
- Mortgage-backed security: The totals and percentages immediately above include a current period investment in a mortgage-backed security totaling \$1.4 million. This investment is backed by 17 affordable single-family homes financed across seven states in which the bank has designated assessment areas. The assessment areas are as follows: Phoenix-Mesa-Scottsdale, AZ; San Diego-Carlsbad, CA; Fort Lauderdale-Pompano Beach-Deerfield Beach, FL; Tampa-St. Petersburg-Clearwater, FL; Atlanta-Sandy Springs-Roswell, GA; Warren-Troy-Farmington Hills, MI; Nassau-Suffolk, NY; Portland-Vancouver-Hillsboro, OR-WA. The investment benefited a number of assessment areas and is considered in determining the individual state ratings. While neither innovative nor complex, the investment displays adequate responsiveness as it meets the financing need for permanent single-family housing for low- and moderate-income individuals.
- The level of community development services is high in the District of Columbia, and in New York. The remaining assessment areas reflected adequate, poor or very poor levels of community development services. In formulating our overall conclusion, we considered the fact that most assessment areas had only one branch with few employees available to provide community development services.
- The bank demonstrates no use of innovative or complex community development activities.
- Given the bank's qualified investments and community development services, the bank overall demonstrates adequate responsiveness to community development needs in its assessment areas.

SCOPE OF THE EXAMINATION

The Office of the Comptroller of the Currency (OCC) assessed E*TRADE Saving Bank ("ETSB") and reviewed the level and nature of qualified investments and community development services. At the bank's request, we considered qualified investments, community

development services provided by its affiliates, and community development activities outside of its assessment areas. ETSB has adequately addressed the needs in its assessment areas, and therefore, the OCC considered outside of assessment area qualified community development activities in evaluating the bank's performance. At the prior examination dated December 31, 2012, the OCC rated the bank "Needs to Improve."

On October 17, 2012, ETSB was approved for a Wholesale designation starting January 1, 2013. For the purpose of this evaluation, ETSB is considered a Wholesale institution.

Evaluation Period/Products Evaluated

The bank's performance within its assessment areas in Arizona, California, Colorado, Florida, Georgia, Illinois, Michigan, Minnesota, New York, Oregon, Pennsylvania, and Texas was evaluated starting January 1, 2013 and ending on September 30, 2013, when branch offices closed for banking purposes in those states. As of October 1, 2013, the bank's assessment areas consist solely of two metropolitan divisions within the Washington-Alexandria-Arlington DC-VA-MD-WV metropolitan statistical area. The OCC evaluated the two metropolitan divisions starting January 1, 2013, and ending December 31, 2014.

The OCC evaluation included designating some assessment areas as "full scope" and some as "limited scope." Examiners conducted a thorough analysis of all community development activities in full-scope assessment areas. The OCC does not comment about community development services for limited-scope areas within this Public Disclosure. See **Appendix B – Scope of Examination** for more details.

Examiners evaluated qualified investments using September 30, 2013, or the average of year-end 2013 and 2014 Tier 1 Capital and Total Income to gauge the bank's capacity to meet credit needs and to assess its performance. Refer to **Table 1: Financial Information** to view those amounts.

Examiners evaluated the bank's record of providing community development services to determine if they were responsive to the needs of the assessment areas. Services that addressed the needs of the assessment areas, specifically the needs of low- and moderate-income populations, and that reflected ongoing relationships with organizations involved in community development received the most consideration in the evaluation. The bank did not make any community development loans during the evaluation period.

Previously, the OCC tested the appropriateness of community development activities presented for consideration in the evaluation. This included the testing of investments and services presented for consideration for their accuracy in amount and location, and to determine if they qualify as community development as defined under the CRA. The OCC determined the data provided is accurate.

DESCRIPTION OF INSTITUTION

ETSB is a federally chartered savings bank headquartered in Arlington, Virginia. ETSB operates

to provide E*TRADE Securities' brokerage clients the sweep deposit account program. ETSB's deposits consist of sweep accounts where excess funds of E*TRADE Securities customers flow. ETSB does not have bank customer deposits. ETSB is a wholly owned subsidiary of E*TRADE Bank (ETB). ETB is a second tier subsidiary of E*TRADE Financial Corporation (ETFC), a financial services company that provides online brokerage and related products and services primarily to individual, retail investors.

As of December 31, 2014, total assets were \$1.1 billion. ETSB does not offer or accept retail deposit accounts other than sweep deposits. Although it retains some legacy mortgage loans in its portfolio and engages in loan modifications, ETSB did not originate any residential mortgage, small business, small farm, commercial, or community development loans during the evaluation period. ETSB's specialized market and product offerings are more consistent with on-line and broker-dealer related financial institutions, and ETSB's principal peers are financial institutions that offer similar products and services.

During the first nine months of 2013, ETSB operated 26 branches. Each branch was licensed as a full-service branch and were co-located in E*TRADE Financial Service Centers. The Financial Service Centers were located in the states of Arizona, California, Colorado, Florida, Georgia, Illinois, Michigan, Minnesota, New York, Oregon, Pennsylvania, Texas and District of Columbia. Although designated as branches, ETSB did not offer traditional retail banking services or products through those locations. The locations operated only nominally as ETSB branches; deposits were exclusively non-cash deposits of E*TRADE brokerage customers; and deposits were initially allocated entirely to ETB.

On June 20, 2013, ETSB notified this Office of its intent to close its branch offices located inside E*TRADE financial centers effective September 30, 2013. The E*TRADE financial centers remain open but would no longer offer banking services.

Banking services offered through ETB, located in Arlington, VA, are provided to E*TRADE brokerage customers who can avail themselves of these services online or through ETFC's network of customer service representatives, investment professionals, and investment advisors. Specific retail banking offerings are available online and include checking accounts with unlimited ATM fee refunds, free online bill pay, and comprehensive mobile banking tools. ETB's deposits are allocated to ETSB through sweep accounts to maximize deposit insurance coverage, and for purposes of this evaluation.

ETFC, headquartered in New York, was founded in 1982. At December 31, 2014, total assets were \$45.5 billion, and shareholder equity \$5.3 billion. ETFC operates a bank and a savings bank with the primary purpose of maximizing the value of deposits generated through its brokerage business and the amount of federal deposit insurance coverage for those deposits. ETFC has four major operating subsidiaries: E*TRADE Securities, LLC, a registered broker-dealer; E*TRADE Clearing, LLC, a registered broker-dealer engaged primarily in clearings and settlement; E*TRADE Community Development Corporation, organized to conduct CRA investment activities for ETB and ETSB; a federally chartered savings bank.

During the evaluation period, ETSB faced no legal, financial or other factors impeding its

ability to help meet the community development needs in its assessment areas. The bank is subject to various legal proceedings and claims arising out of the normal course of business with no material adverse effect expected. There was no merger and acquisition activity affecting the scope of the bank's operations during the evaluation period. Financial information, shown in **Table 1**, reflects ETSB's financial capacity to help meet the community development needs of its assessment areas.

Table 1: Financial Information \$(000)

	Quarter-End 9/30/2013*	Calendar Year-End 2013	Calendar Year-End 2014	Average for Evaluation Period**
Tier 1 Capital	\$185,214	\$191,102	\$203,283	\$197,192
Total Income	\$21,293	\$27,437	\$22,355	\$24,896
Net Operating Income	\$9,669	\$11,534	\$7,976	\$9,755
Total Assets	\$1,087,160	\$1,102,216	\$1,135,134	\$1,118,675

Source: Consolidated Report of Condition and Income and bank reported data.

* Annualized data reported

** Average of calendar years-ending 2013 and 2014

DESCRIPTION OF ASSESSMENT AREAS

ETSB's assessment area consists of two metropolitan divisions in the Washington-Arlington-Alexandria, DC-MD-VA-WV Metropolitan Statistical Area (#47900). The metropolitan divisions that are collectively known as District of Columbia are Silver Spring-Frederick-Rockville, MD (#43524), and Washington-Arlington-Alexandria, DC-VA-MD-WV (#47894).

Between January 1, 2013 and September 30, 2013, ETSB had additional assessment areas in the states of Arizona, California, Colorado, Florida, Georgia, Illinois, Michigan, Minnesota, New York, Oregon, Pennsylvania, and Texas. The specific metropolitan areas within those states are listed in **Appendix B – List of Assessment Areas, Types of Review, Evaluation Periods**.

ETSB is an operating subsidiary of ETB. The FDIC reported as of June 30, 2013, deposits totaling \$0 (zero) in ETSB's branches. Non-cash deposits are accepted in ETSB branches from ETB and brokerage customers. For the purpose of this evaluation, \$2.5 billion of ETB's deposits were allocated to ETSB as of September 30, 2013. The deposits allocated to ETSB's assessment areas are based on where deposits were derived. The allocation of deposits was used to further distribute Tier 1 Capital and Total Income to each state and assessment area. This allocation does not apply to the District of Columbia. See **Table 2a - Allocation of Deposits by State** and **Table 2b - Allocation of Deposits by Assessment Area**.

Table 2a: Allocation of Deposits by State

State/Multistate	AA in State 1/1/2013 through 9/30/2013	Deposits Allocated by Dollar 9/30/2013*	% of Deposits Allocated 9/30/2013*	Allocated Tier 1 Capital	Allocated Total Income
Arizona	X	\$ 52,151,618	2%	\$ 3,830,921	\$ 440,419
California	X	\$ 1,265,884,219	50%	\$ 92,988,530	\$ 10,690,362
Colorado	X	\$ 53,744,986	2%	\$ 3,947,966	\$ 453,875
Florida	X	\$ 93,859,799	4%	\$ 6,894,694	\$ 792,644
Georgia	X	\$ 80,816,785	3%	\$ 5,936,589	\$ 682,496
Illinois	X	\$ 142,843,936	6%	\$ 10,492,940	\$ 1,206,314
Michigan	X	\$ 1,864,882	-	\$ 136,989	\$ 15,749
Minnesota	X	\$ 32,214,018	1%	\$ 2,366,357	\$ 272,047
New York	X	\$ 329,387,783	13%	\$ 24,195,961	\$ 2,781,672
Oregon	X	\$ 90,066,463	4%	\$ 6,616,046	\$ 760,609
Pennsylvania	X	\$ 24,549,700	1%	\$ 1,803,357	\$ 207,322
Texas	X	\$ 306,574,593	12%	\$ 22,520,164	\$ 2,589,015

AA – Assessment Area

* - Based on ETB's deposits derived from that state/multistate

For the District of Columbia, we used an average of calendar year-end 2013 and calendar year-end 2014 financial information to conduct our analysis. Refer to **Table 1: Financial Information** above.

Table 2b: Allocation of Deposits by Assessment Area

Assessment Area	% of Deposits Allocated 9/30/2013*	Allocated Tier 1 Capital	Allocated Total Income
State of Arizona:			
Phoenix-Mesa-Scottsdale, AZ	2%	\$ 3,830,921	\$ 440,419
State of California:			
Anaheim-Santa Ana-Irvine	0.4%	\$ 793,698	\$ 91,247
Los Angeles-Long Beach-Glendale	5%	\$ 8,789,715	\$ 1,010,504
Sacramento-Roseville-Arden Arcade	1%	\$ 1,726,009	\$ 198,429
San Diego-Carlsbad	13%	\$ 23,883,048	\$ 2,745,698
San Francisco-Redwood City-South San Francisco	13%	\$ 24,349,851	\$ 2,799,364
San Jose-Sunnyvale-Santa Clara	18%	\$ 33,446,208	\$ 3,845,120
State of Colorado:			
Denver-Aurora-Lakewood	2%	\$ 3,947,966	\$ 453,875
State of Florida:			
Fort Lauderdale-Pompano Beach- Deerfield Beach	1%	\$ 1,651,743	\$ 189,891
Orlando-Kissimmee-Sanford	1%	\$ 2,583,206	\$ 296,976
Tampa-St. Petersburg-Clearwater	2%	\$ 2,659,746	\$ 305,776
State of Georgia:			
Atlanta-Sandy Springs-Roswell	3%	\$ 5,936,589	\$ 682,496
State of Illinois:			
Chicago-Naperville-Arlington Heights	6%	\$ 10,492,940	\$ 1,206,314
State of Michigan:			
Warren-Troy-Farmington Hills	0.07%	\$ 136,989	\$ 15,749
State of Minnesota:			
Minneapolis-St. Paul-Bloomington, MN-WI	1%	\$ 2,366,357	\$ 272,047
State of New York:			
Nassau-Suffolk, NY	0.01%	\$ 27,054	\$ 3,110
New York-Jersey City-White Plains, NY-NJ	13%	\$ 24,168,908	\$ 2,778,562
State of Oregon:			
Portland-Vancouver-Hillsboro, OR-WA	4%	\$ 6,616,046	\$ 760,609
State of Pennsylvania:			
Philadelphia	1%	\$ 1,803,357	\$ 207,322
State of Texas:			
Dallas-Plano-Irving	4%	\$ 6,671,805	\$ 767,019
Houston-The Woodlands-Sugar Land	8%	\$ 15,848,360	\$ 1,821,996

* - Based on ETB's deposits derived from that assessment area; Rounded

** - District of Columbia is not allocated

STATE OF ARIZONA

STATE OF ARIZONA RATING: Needs to Improve

Summary Conclusions About Performance

- The bank has a poor level of qualified investments given the short nine-month evaluation period. There is a poor level of community development services considering the bank's operations in the state of Arizona.
- One unallocated qualified mortgage backed security benefited a number of assessment areas and state ratings. We considered a portion of this investment in the state of Arizona.
- Community development activities are not innovative or complex.
- Community development activities exhibit poor responsiveness to the community development needs given the nine-month evaluation period.

Description of Institution's Operations in the State of Arizona

ETSB operated one branch in an upper-income geography in the Phoenix-Mesa-Scottsdale metropolitan statistical area. As of June 30, 2013, the FDIC reported deposits totaling zero (\$0) in the bank's Arizona branch. Deposits are accepted by ETSB on behalf of ETB customers. We allocated 2 percent of ETB's deposits to the state of Arizona to assess community development performance. See **Table 2a - Allocation of Deposits by State** and **Table 2b - Allocation of Deposits by Assessment Area** to view the distributions of Tier 1 Capital and Total Income. Effective September 30, 2013, the branch office closed for banking purposes.

Description of Assessment Area

The bank's assessment area consists of the Phoenix-Mesa-Scottsdale metropolitan statistical area (#38060). The assessment area includes Maricopa County and Pinal County. Principal cities include Mesa, Phoenix and Tempe. The assessment area meets the regulatory requirements and does not arbitrarily exclude low- and moderate-income geographies. The area is primarily urban with some suburban and rural areas. The bank's assessment area existed through September 30, 2013.

The table below shows the distribution of the assessment area's 991 geographies for families and businesses by income level:

Table 3: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	991	9%	25%	34%	31%
Families	1,000,063	21.18%*	18%*	20%*	41%*
Businesses	418,413	6.33%**	16%**	31%**	47%**

Source: Demographic Data - 2010 U.S. Census, Dun & Bradstreet Data. *Represents families by income level. **Represents businesses by income level of census tract. Do not add to 100% due to rounding. Ten (10) census tracts are not income categorized.

The assessment area has a population of 4,192,887 according to 2010 census data. The U.S. Department of Housing and Urban Development's (HUD) adjusted median family income for 2013 is \$62,200, and households living below the poverty level are 12 percent. As of December 31, 2013, the unemployment rate is 4 percent.

Phoenix is the largest city in Arizona and sixth largest in the country. Phoenix and most of the southern portion of the state were severely impacted by the housing crisis. Property values decreased drastically over the past several years. The area is now recovering, but property values remain low in comparison to other western states. The low values led to an influx of investors purchasing large numbers of properties in low- and moderate-income areas. A rising multifamily housing sector is in process with job gains in the healthcare and services areas. While Phoenix has a large employment corridor, affordable housing is available outside the city, which requires long commutes to jobs in the city.

Major industries include state and local government, employment services, food-serving establishments and medical and surgical hospitals. The top employers in the area are Wal-Mart Stores, Inc., Banner Health System, Intel Corporation, US Airways, Boeing Company and American Express. The area has a number of national, regional, and local financial institutions. However, Arizona lost a substantial number of financial institutions during the recession.

Outreach meetings conducted by this Office identified community development needs as follows: home loans; affordable housing including rental housing; financing for affordable housing for individuals and families; mortgage assistant grants for low- and moderate-income families to purchase a home; financing for mixed-use properties; small business financing and technical assistance; small business loans to help revitalize distressed areas; more neighborhood stabilization-type financing for nonprofit organizations to enable them to purchase properties for rehabilitation and eventual sale to low- and moderate-income families; and better handling of foreclosure properties by the larger banks and servicers as their inattention has resulted in blight in many neighborhoods. Another need is financial literacy for students.

Nonprofit organizations are in financial distress and are in need of grants to meet general operating expenses. Given the housing crisis, there is a need for financial support of housing counseling agencies.

There are multiple opportunities for banks to lend and provide services in the area, especially

through partnerships with community development-related organizations with a presence in the assessment area. Opportunities also exist for investments in loan pools.

Qualified Investments

The bank has few qualified investments. See **Institution's CRA Rating** section for information about a mortgage-backed security.

Table 4a: Qualified Investment Activity \$(000s)

	Benefits AA
Originated Investments	\$180
Originated Grants	
Prior-Period Investments that Remain Outstanding	
Total Qualified Investments	\$180
Unfunded Commitments*	

* "Unfunded Commitments" means legally binding investment commitments that are tracked and recorded by the bank's financial reporting system.

Table 4b: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Allocated Tier 1 Capital	5%
Total Investments/Allocated Total Income	41%

Community Development Services

Five employees facilitated a workshop on investments as part of a stock market game program at a Phoenix high school offered by the Arizona Council on Economic Education. The majority of the students at the school are from low- and moderate-income families.

STATE OF CALIFORNIA

STATE OF CALIFORNIA RATING: Satisfactory

Summary Conclusions About Performance

- The bank has an overall high level of qualified investments given the short nine-month evaluation period. There are seven current and prior period investments in the state of California totaling \$10.7 million. The volume of investments represents 12 percent of allocated Tier 1 Capital, and 100 percent of allocated Total Income. There is stronger performance by level of qualified investments in the San Francisco-Redwood City-South San Francisco, Los Angeles-Long Beach-Glendale and Sacramento-Roseville-Arden-Arcade assessment areas. Weaker performance is noted in the remaining assessment areas. There is a poor level of community development services given the bank's operations in the state of California.
- One unallocated qualified mortgage backed security benefited a number of assessment areas. We considered a portion of this investment in the state of California.
- Community development activities are not innovative or complex.
- Community development activities overall exhibit adequate responsiveness to the needs of affordable housing, support for small businesses, and financial literacy. Prior period investments make up 82 percent of total investments in the state of California. While there is continuing impact from those investments, current period investments receive more weighting and emphasis in formulating our conclusions.

Description of Institution's Operations in the State of California

ETSB operated eight branches within this state in the following metropolitan areas: two branches in Los Angeles-Long Beach-Glendale metropolitan division; one branch in Sacramento-Roseville-Arden-Arcade metropolitan statistical area; one branch in San Francisco-Redwood City-South San Francisco metropolitan division; two branches in San Jose-Sunnyvale-Santa Clara metropolitan statistical area; one branch in San Diego-Carlsbad metropolitan statistical area; and one branch in Anaheim-Santa Ana-Irvine metropolitan division.

As of June 30, 2013, the FDIC reported deposits totaling zero (\$0) in the bank's California branches. Deposits are accepted by E*TRADE Savings Bank on behalf of E*TRADE Bank customers. Fifty percent of ETB's deposits were allocated to the state of California to assess community development performance based on where deposits were derived. Fifty percent consists of the following: San Francisco-Redwood City-South San Francisco metropolitan division 13 percent; San Jose-Sunnyvale-Santa Clara metropolitan statistical area 18 percent; Anaheim-Santa Ana-Irvine metropolitan division less than 1/2 percent; Los Angeles-Long Beach-Glendale metropolitan division 5 percent; Sacramento-Roseville-Arden metropolitan statistical area 1 percent; and San Diego-Carlsbad metropolitan statistical area 13 percent. See

Table 2a - Allocation of Deposits by State and **Table 2b - Allocation of Deposits by Assessment Area** to view the distributions of Tier 1 Capital and Total Income. Effective September 30, 2013, all branch offices in California closed for banking purposes.

Description of Assessment Area

There are six assessment areas within the state of California: Los Angeles-Long Beach-Glendale metropolitan division (#31084); Sacramento-Roseville-Arden-Arcade metropolitan statistical area (#40900); San Francisco-Redwood City-South San Francisco metropolitan division (#41884); San Jose-Sunnyvale-Santa Clara metropolitan statistical area (#41940); San Diego-Carlsbad metropolitan statistical area (#41740); and the Anaheim-Santa Ana-Irving metropolitan division (#11244). The areas are primarily urban with suburban and limited rural areas. The assessment areas meet the regulatory requirements and do not arbitrarily exclude low- and moderate-income geographies. The assessment areas existed through September 30, 2013. For analysis purposes, we completed full-scope reviews for the San Francisco-Redwood City-South San Francisco metropolitan division and the San Jose-Sunnyvale-Santa Clara metropolitan statistical area. These two assessment areas were reviewed due to the vast opportunities available for financial institutions to help meet community development needs of those areas. All other assessment areas received a limited-scope review.

San Francisco-Redwood City-South San Francisco, CA - Full-Scope Assessment Area

The bank’s assessment area includes the San Francisco-Redwood City-South San Francisco metropolitan division, which is part of the greater San Francisco-Oakland Haywood metropolitan statistical area. The assessment area includes the counties of San Francisco and San Mateo. Principal cities include San Francisco, Redwood City, and South San Francisco, which are primarily urban. The assessment area existed through September 30, 2013.

The table below shows the distribution of the assessment area’s 411 geographies of families and business by income level:

Table 5: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	411	11%	18%	35%	33%
Families	385,087	24%*	16%*	19%*	41%*
Businesses	210,494	16%**	13%**	31%**	40%**

Source: Demographic Data - 2010 U.S. Census, Dun & Bradstreet Data. *Represents families by income level. **Represents businesses by income level of census tract. Do not add to 100% due to rounding. Seven (7) Census Tracts are not income categorized.

The assessment area has a population of 1,776,095 according to 2010 census data. The HUD adjusted median family income in 2013 is \$101,200 and households living below the poverty level stood at 9 percent. As of December 31, 2013, the unemployment rate is 4 percent.

According to Moody’s Analytics, the San Francisco Bay area’s labor and housing costs are

growing strongly. Housing shortages are driving prices higher, and single-family house prices are up 70 percent since 2012, compared with 30 percent nationwide. The unemployment rate is lower, the labor participation rate has risen, and San Francisco's economy is among the strongest large metropolitan areas in the country.¹

After state and local government, the area's leading industries are travel services and restaurants, computer systems design and related services, and general medical and surgical hospitals. Major employers include the University of California-San Francisco, Stanford University, University of San Francisco, California Pacific Medical School, PG&E Corporation, Wells Fargo Bank, N.A., and Kaiser Permanente.

Outreach meetings conducted by this Office identified the following community development needs in the San Francisco area: affordable housing; small business loans; financial counseling; financial educations for students; support of nonprofit organizations addressing homeownership preservation; support for foreclosure prevention and mitigation; financing and other support for the disposition of foreclosed properties; support for programs that help create jobs; technical assistance to small businesses; small business access to credit including funding for start-up businesses; business loans less than \$250,000; and, bank financing under \$1,000,000 without Small Business Administration support. Outreach activities also identified that financial institutions are not consistently involved in community development activities.

Opportunities exist for financial institutions to provide grants to nonprofit organizations for operational challenges, low- or no-cost banking products to low-income persons, more consistent and timely activities regarding home loan application refinancing and loan modification requests, and to refinance or provide funding to rehabilitate two- to fifty-unit multifamily projects.

There are numerous opportunities for financial institutions to become involved in activities given the numerous community development-related entities and philanthropic entities that provide assistance to organizations throughout northern California including the San Francisco area. Twenty-two community development financial institutions (CDFI) serve the area, including several federally regulated and insured depositories, and several accomplished nonprofit housing-related CDFIs. Many nonprofit organizations develop commercial real estate and affordable housing, provide financial education, prepare low- and moderate-income persons to become homebuyers, provide assistance to small business owners and provide many social services targeted to low- and moderate-income populations. Among the community development organizations in San Francisco are a community land trust, two affiliates of NeighborWorks America, an affiliate of the Local Initiatives Support Corporation, and several organizations that promote micro business development. In addition, federal, state, and local governments have identified multiple areas for redevelopment with designations such as empowerment and enterprise zones and brownfield redevelopment sites.

San Jose-Sunnyvale-Santa Clara, CA – Full-Scope Assessment Area

The assessment area includes the San Jose-Sunnyvale-Santa Clara metropolitan statistical area. It

¹ Source: Moody's Analytics

includes the counties of San Benito and Santa Clara. Principal cities included Cupertino, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara, and Sunnyvale, which are primarily suburban areas. The assessment area existed through September 30, 2013.

The table below shows the distribution of the assessment area's 383 geographies of families and business by income level:

Table 6: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	383	9%	23%	37%	29%
Families	434,720	24%*	16%*	19%*	41%*
Businesses	171,057	6%**	22%**	35%**	37%**

Source: Demographic Data - 2010 U.S. Census, Dun & Bradstreet Data. *Represents families by income level.

**Represents businesses by income level of census tract. Do not add to 100% due to rounding. One (1) census tract is not income categorized.

The assessment area has a population of 1,836,911 according to 2010 census data. The HUD adjusted median family income for 2013 is \$101,300, and households living below the poverty level stood at 8 percent. As of December 31, 2013, the unemployment rate was 5 percent.

According to Moody's Analytics, the area is among the fastest growing metropolitan areas in the country. The health care and technology sectors sustain the area's economy. The unemployment rate has declined from prior years from a high of 11 percent in 2010 to 6 percent at year-end 2013. Wage growth is above the national average. The local technology industry is supporting many high and mid-wage jobs, of which wages are increasing more than twice the national average. Home prices have doubled over the past several years because of increasing demand. Major employers include Apple, Inc., Cisco Systems, Inc., Kaiser Permanente, and Stanford University.²

Outreach meetings conducted by this Office during the evaluation period identified affordable housing as the greatest need. Other needs include: small business loans; financial counseling; support of nonprofit organizations addressing homeownership preservation; support for foreclosure prevention and mitigation; financing and other support for the disposition of foreclosed properties; support for programs that help create jobs; technical assistance to small businesses; funding for start-up small businesses; business loans less than \$250,000; and, bank financing under \$1,000,000 without Small Business Administration support.

Opportunities for financial institutions include collaborating with several active CDFIs and community development-related corporations in the area. The primary focus of the organizations are economic development with an emphasis on micro-lending, technical assistance for small businesses, building the capacity of community organizations, supplying grants and technical assistance to nonprofit organizations seeking permanent facilities, and building public awareness of community investment opportunities. There are also affordable housing-related organizations

² Source: Moody's Analytics

with which financial institutions can partner to help meet community development needs.

Qualified Investments

The bank has an overall high level of qualified investments in the state of California. Performance was especially strong in the San Francisco-Redwood City-South San Francisco and the Sacramento-Roseville-Arden-Arcade assessment areas. This strong performance supported the overall rating and conclusion even as the remaining assessment areas displayed weaker performance. There are seven current and prior period investments in the state of California totaling \$10.5 million. The overall level of investments represents 12 percent of allocated Tier 1 Capital, and 100 percent of allocated Total Income. All qualified investments, including prior period, in the state of California are responsive to the need of affordable rental housing and small business capital.

San Francisco-Redwood City-South San Francisco, CA – Full-Scope Assessment Area

In a prior period, the bank invested in a statewide municipal finance authority bond series, which funded affordable housing projects to serve very low and low- and moderate-income residents in six projects in San Francisco or surrounding cities. Two other prior period investments served parts of California including the assessment area. One investment is in a fund that provides venture capital, and supports job creation and retention to small businesses in the assessment area. In the table below, the amount outside the assessment area represents a 50 percent allocated amount in the same fund targeted to the near-by Oakland-Haywood-Berkeley metropolitan division, which is part of the greater San Francisco-Oakland-Hayward metropolitan statistical area. The prior period investment remains responsive as the fund makes ongoing investments in mid- to late-stage small businesses, which provides job creation and retention. The remaining investment is in a small business investment company (SBIC) which finances small businesses. The investment continues to address the identified need of providing small business loans.

Table 7a: Qualified Investment Activity \$(000s)

	Benefits AA	Outside AA	Totals
Originated Investments			
Originated Grants			
Prior-Period Investments that Remain Outstanding	\$7,613	\$148	\$7,761
Total Qualified Investments	\$7,613	\$148	\$7,761
Unfunded Commitments*			

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 7b: Qualified Investment Percentages

	Benefits AA (%)	Outside AA (%)	Total (%)
Total Investments/Allocated Tier 1 Capital	31%	1%	32%
Total Investments/Allocated Total Income	272%	5%	277%

San Jose-Sunnyvale-Santa Clara, CA - Full-Scope Assessment Area

One prior period investment is a fund that provides venture capital, and supports job creation and retention to small businesses in the assessment area. The amount outside the assessment area represents a 50 percent allocated amount in the same fund targeted to the near-by Oakland-Haywood-Berkeley metropolitan division. The prior period investment remains responsive as the fund makes ongoing investments in mid- to late-stage small businesses, which provides job creation and retention.

Table 8a: Qualified Investment Activity \$(000s)

	Benefits AA	Outside AA	Totals
Originated Investments			
Originated Grants			
Prior-Period Investments that Remain Outstanding	\$297	\$148	\$445
Total Qualified Investments	\$297	\$148	\$445
Unfunded Commitments*			

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 8b: Qualified Investment Percentages

	Benefits AA (%)	Outside AA (%)	Total (%)
Total Investments/Allocated Tier 1 Capital	1%	0%	1%
Total Investments/Allocated Total Income	8%	4%	12%

Anaheim-Santa Ana-Irvine, CA - Limited-Scope Assessment Area

Performance in the Anaheim-Santa Ana-Irvine assessment area is weaker than the overall performance due to no qualified investments in the area. This did not adversely affect the overall state of California conclusion and rating as the bank’s presence in the assessment area is very small when compared to other assessment areas in the state of California.

Table 9a: Qualified Investment Activity \$(000s)

	Benefits AA
Originated Investments	0
Originated Grants	
Prior-Period Investments that Remain Outstanding	
Total Qualified Investments	0
Unfunded Commitments*	

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 9b: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Allocated Tier 1 Capital	0%
Total Investments/Allocated Total Income	0%

Los Angeles-Long Beach-Glendale, CA - Limited-Scope Assessment Area

Performance in the Los Angeles-Long Beach-Glendale assessment area is weaker than the overall performance given the proportion of qualified investments. While weaker, this performance did not adversely affect the overall state of California conclusion and rating as there is a high level of investments in proportion to the bank’s presence in the assessment area, and considering the nine-month evaluation period.

Table 10a: Qualified Investment Activity \$(000s)

	Benefits AA
Originated Investments	
Originated Grants	
Prior-Period Investments that Remain Outstanding	\$571
Total Qualified Investments	\$571
Unfunded Commitments*	

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 10b: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Allocated Tier 1 Capital	6%
Total Investments/Allocated Total Income	57%

Sacramento-Roseville-Arden-Arcade, CA - Limited-Scope Assessment Area

Performance in the Sacramento-Arden-Arcade-Roseville assessment area is stronger than the overall performance due to the higher proportion of qualified investments given the nine-month evaluation period. This contributed positively to the overall state of California conclusion and rating.

Table 11a: Qualified Investment Activity \$(000s)

	Benefits AA
Originated Investments	\$1,753
Originated Grants	
Prior-Period Investments that Remain Outstanding	
Total Qualified Investments	\$1,753
Unfunded Commitments*	

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 11b: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Allocated Tier 1 Capital	102%
Total Investments/Allocated Total Income	884%

San Diego-Carlsbad, CA - Limited-Scope Assessment Area

Performance in the San Diego-Carlsbad assessment area is weaker than the overall performance due to the poor level of qualified investments. While weaker, this performance did not adversely affected the overall state of California conclusion given the nine-month evaluation period and bank’s presence in the assessment area. See **Institution’s CRA Rating** section for information about a mortgage-backed security.

Table 12a: Qualified Investment Activity \$(000s)

	Benefits AA
Originated Investments	\$180
Originated Grants	
Prior-Period Investments that Remain Outstanding	\$26
Total Qualified Investments	\$206
Unfunded Commitments*	

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 12b: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Allocated Tier 1 Capital	1%
Total Investments/Allocated Total Income	8%

Community Development Services

The bank provided an overall poor level of community development services in the state of California based on our review of the two full scope assessment areas. Community development services addressed financial education to youth of low-income households.

San Francisco-Redwood City-South San Francisco, CA - Full-Scope Assessment Area

A branch manager taught a financial education class on budgeting and how to build credit to a group of youth in the Juma Ventures Program which, combines employment in social enterprises, college preparation, and financial education to provide a supportive community where low-income youth can achieve a college education. The service was responsive to the community's financial literacy needs.

San Jose-Sunnyvale-Santa Clara, CA - Full-Scope Assessment Area

The bank did not provide any community development services during the evaluation period.

STATE OF COLORADO

STATE OF COLORADO RATING: Needs to Improve

Summary Conclusions About Performance

- The bank has an adequate level of qualified investments given the short nine-month evaluation period. Qualified investments in Colorado total \$257 thousand. The volume of the investment represents 7 percent of allocated Tier 1 Capital, and 57 percent of allocated Total Income. No community development services were offered.
- Community development activities are not innovative or complex.
- Activities exhibit poor responsiveness to the community development needs in the assessment area.

Description of Institution's Operations in the State of Colorado

ETSB operated one branch in an upper-income geography in the Denver-Aurora-Lakewood metropolitan statistical area. As of June 30, 2013, the FDIC reported deposits totaling zero (\$0) in the bank's Colorado branch. Deposits are accepted by E*TRADE Savings Bank on behalf of E*TRADE Bank customers. We allocated 2 percent of ETB's deposits to the state of Colorado to assess community development performance. See **Table 2a - Allocation of Deposits by State** and **Table 2b - Allocation of Deposits by Assessment Area** to view the distributions of Tier 1 Capital and Total Income. Effective September 30, 2013, the branch office closed for banking purposes.

Description of Assessment Area

The bank's assessment area consists of the Denver-Aurora-Lakewood, CO metropolitan statistical area (#19740). The assessment area includes Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park counties. Principal cities include Aurora, Broomfield, Denver, and Lakewood. The assessment area met the regulatory requirements and did not arbitrarily exclude low- and moderate-income geographies. The area is primarily urban with some suburban and rural areas. The bank's assessment area existed through September 30, 2013.

The table below shows the distribution of the assessment area's 621 geographies for families and businesses by income level:

Table 13: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	621	11%	23%	33%	32%
Families	620,203	22%*	17%*	20%*	41%*
Businesses	329,845	8%**	20%**	31%**	40%**

Source: Demographic Data - 2010 U.S. Census, Dun & Bradstreet Data. *Represents families by income level.

**Represents businesses by income level of census tract. Do not add to 100% due to rounding. Seven (7) census tracts are not income categorized.

Denver ranks in the top 25 largest cities in the country. The assessment area has a population of 2,543,482 according to 2010 census data. The HUD adjusted median family income for 2013 is \$77,800, and households' living below the poverty level is 11 percent. As of December 31, 2013, the unemployment rate is 5 percent.

The top employment sectors are aerospace, aviation, bioscience, broadcasting and telecommunications, and energy. Major employers include HealthONE, SCL Health System, Centura Health, Lockheed Martin Corporation, and CenturyLink.

The Denver economy is much better when compared to the years during and immediately after the housing crisis. The city is not strong in manufacturing jobs but has a strong service base. Job creation has had a revitalizing effect in the downtown area. This in turn created a strong need for affordable rental housing in the downtown area. In 2013, it was estimated the city is short at least 25,000 rental units. Housing values are still depressed but showing improvement.

The prior housing crisis had a disproportionate impact on low- and moderate-income populations within the Denver-Aurora-Broomfield MSA and the state of Colorado overall. Cuts in local, state and federal budgets deeply affected the low- and moderate-income population in the areas of home foreclosures, job loss and employment hours. These governmental budget cuts not only affect low- and moderate-income individuals and families directly but also the nonprofit sector that are mission-driven to serve them. Much of the nonprofit funding used for their low- and moderate-income programs is derived from government sources. Consequently, many nonprofit organizations scaled back programs and outreach at a time needed the most.

Outreach meetings conducted by this Office revealed that generally, bank customers are finding it more difficult to obtain foreclosure forbearance and loan modifications. Banks more often than not are claiming they have lost the paperwork. Of concern is with the bank's "dual tracking" of loss mitigation applications. Dual tracking relates to one part of the bank moving towards a foreclosure and another part of the bank is moving towards a loan modification. Financial literacy is an issue, and there is a segment of the population with no banking relationship. In terms of economic development, some banks are not very responsive to start-up financing for small businesses. While there are CDFI micro lenders with strong bank partners for referrals, there is a gap with banks that do not know about the available programs.

Identified community development needs are as follows: access to affordable and convenient basic banking services specifically tailored to low- and moderate-income families; financial

literacy particularly for the younger generation; access to affordable housing, and affordable rental housing; more low-income housing tax credits to promote affordable housing; small dollar loans for individuals; and, financing for start-up and small businesses.

There are numerous financial institutions and community development-related organizations with a presence in the assessment area. The Denver area has a large and sophisticated nonprofit sector. Opportunities remain for community development efforts in the areas of job creation or retention, affordable housing provision, home ownership counseling and financing, services tailored towards low- and moderate-income people and other targeted populations, financial literacy, and small business lending products. Specifically, some community development opportunities for financial institutions in the greater Denver area are as follows: creating affordable and convenient basic banking services specifically tailored to low- and moderate-income families; financial literacy opportunities; engaging more deeply with established Bank On programs, and with second chance account programs for low- and moderate-income families looking for a fresh start; offering small dollar loan program; investing in CDFIs; working with affordable housing providers seeking loan modifications on behalf of their clients; eliminating “dual tracking” at banks; working with nonprofit community development corporations on obtaining bank owned real estate; volunteering on nonprofit boards; and providing financial assistance or grant funding for the various programs and projects available.

Qualified Investments

During the evaluation period, ETSB made one investment in the assessment area. The investment supported the rehabilitation of an affordable housing apartment building. Tenants utilize the HUD Section 8 rental subsidy program and are low-income. Affordable rental housing is an identified need in the assessment area. The investment is excellent as it is responsive to the community development need of affordable rental housing for low- and very low-income households given the nine month evaluation period, and volume of deposits derived from the assessment area.

Table 14a: Qualified Investment Activity \$(000s)

	Benefits AA
Originated Investments	\$257
Originated Grants	
Prior-Period Investments that Remain Outstanding	
Total Qualified Investments	\$257
Unfunded Commitments*	

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 14b: Qualified Investment Percentages

	Benefits AA (%)
Total Investments/Allocated Tier 1 Capital	7%
Total Investments/Allocated Total Income	57%

Community Development Services

There are no community development services in the assessment area.

STATE OF FLORIDA

STATE OF FLORIDA RATING: Needs to Improve

Summary Conclusions About Performance

- The bank has a poor level of qualified investments and few community development services given the short nine-month evaluation period.
- One unallocated qualified mortgage backed security benefited a number of assessment areas. We considered a portion of this investment in the state of Florida.
- Community development activities are not innovative or complex.
- Activities exhibit poor responsiveness to the community development needs of the assessment areas.

Description of Institution's Operations in the State of Florida

ETSB operated three branches in the state of Florida: one branch in an upper-income geography in Fort Lauderdale; one branch in a moderate-income geography in Orlando; and one branch in a moderate-income geography in Tampa. As of June 30, 2013, the FDIC reported deposits totaling zero (\$0) in the savings bank's Florida branches. Deposits are accepted by E*TRADE Savings Bank on behalf of E*TRADE Bank customers. We allocated 4 percent of ETB's deposits to Florida to assess community development performance based on where deposits were derived. Four percent consists of the following: Fort Lauderdale-Pompano Beach-Deerfield Beach metropolitan division 1 percent; Orlando-Kissimmee-Sanford metropolitan statistical area 1 percent; and Tampa-St. Petersburg-Clearwater metropolitan statistical area 2 percent. See **Table 2a - Allocation of Deposits by State** and **Table 2b - Allocation of Deposits by Assessment Area** to view the distributions of Tier 1 Capital and Total Income. Effective September 30, 2013, the branch offices closed for banking purposes.

Description of Assessment Area

ETSB designated three assessment areas within the state of Florida. They are the Fort Lauderdale-Pompano Beach-Deerfield Beach metropolitan division (#22744), the Orlando-Kissimmee-Sanford metropolitan statistical area (#36740), and the Tampa-St. Petersburg-Clearwater metropolitan statistical area (#45300). The assessment areas meet the regulatory requirements and do not arbitrarily exclude low- and moderate-income geographies. The assessment areas existed through September 30, 2013. For analysis purposes, we selected the Fort Lauderdale-Pompano Beach-Deerfield Beach assessment area for a full-scope review due to the opportunities for financial institutions to participate in community development initiatives, and due to the bank's smaller presence in the area. The remaining two assessment areas received limited-scope reviews as they received a full scope review during the prior CRA examination.

Fort Lauderdale-Pompano Beach-Deerfield Beach, FL - Full-Scope Assessment Area

The bank’s assessment area consists of the Fort Lauderdale-Pompano Beach-Deerfield Beach, FL metropolitan division (#22744). It is part of the greater Miami-Fort Lauderdale-West Palm Beach metropolitan statistical area (#33100). The assessment area includes Broward County. Principal cities include Deerfield Beach, Fort Lauderdale and Pompano Beach. The area is primarily suburban.

The table below shows the distribution of the assessment area’s 361 geographies for families and businesses by income level:

Table 15: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	361	5%	27%	37%	30%
Families	420,639	22%*	17%*	20%*	41%*
Businesses	322,466	3%**	25%**	34%**	38%**

Source: Demographic Data - 2010 U.S. Census, Dun & Bradstreet Data. *Represents families by income level. **Represents businesses by income level of census tract. Do not add to 100% due to rounding. One (1) census tract is not income categorized.

The Fort Lauderdale assessment area has a population of 1,748,066 according to 2010 census data. The HUD adjusted median family income for 2013 is \$61,700, and 12 percent of households live below the poverty level. As of December 31, 2013, the unemployment rate is 6 percent.

Broward County has a well-diversified economy. Key economic sectors include trade, transportation and utilities, professional and business services, government, education, and health services. Broward County’s largest employers are AutoNation, Nova Southeastern University, American Express, The Answer Group, BrandsMart USA, Precision Response Corporation, and Kaplan Higher Education. Broward County has several areas designated for economic development including The Broward County Brownfield Redevelopment Program, The Broward County Enterprise Zone, The Urban Job Tax Credit Program (UJTC), and The Broward County Historically Underutilized Business Zone (HUB Zones). There are also two foreign trade zones.

The economic situation in Broward County has stabilized the last few years. Housing prices are rising as investors acquired and leased out a foreclosed inventory, including condominium units. This has made it very difficult for low-, moderate-, and even middle-income homebuyers to compete with cash buyers. Many lenders have imposed stricter underwriting criteria. The real estate appraisal process is a major issue for minority communities, where home assessments in Broward County’s minority communities are valued “very low.”

Various outreach meetings conducted by this Office identified community development needs such as affordable housing, subsidies for affordable housing, affordable rental housing, housing rehabilitation, small business loans, more flexible underwriting standards, and a fairer real estate appraisal process. Other needs include grants for nonprofit community service organizations,

employment opportunities, career development, financial literacy, and credit repair for consumers and businesses.

Opportunities for financial institutions to participate in community development initiatives include the following: participating in affordable housing initiatives through lending and investment; providing or participating in foreclosure prevention programs and education; working with economic development organizations to provide small business lending programs; developing lending products for small businesses; supporting community service organizations with funding, grants, or technical services; and, supporting projects in the economic development zones.

Various city and local leaders specifically suggested that banks participate in the following activities to address community needs:

- Support for ongoing housing programs that address the needs of residents, whether existing homeowners or prospective first time homebuyers, including collaborating with local nonprofit organizations and for profit agencies to support homeownership opportunities.
- Partner with the Economic Development Department and Community Redevelopment Agency (CRA) utilizing CDBG funds to promote economic development incentives and projects which will attract or create new businesses in the city and create jobs.
- Support the local housing authority through their apprenticeship/job training program which assists housing authority residents to learn skills in the construction trade and allows the opportunity for the residents to move to self-sufficiency.
- Support nonprofit agencies that provide greater access to community services (childcare subsidies, after school programs, homeless prevention) for residents of the area.
- As a long-term take-out strategy, provide financing to renters who are currently leasing units from investors, who will eventually sell the units.

Qualified Investments

Fort Lauderdale-Pompano Beach-Deerfield Beach, FL – Full-Scope Assessment Area

There are few qualified investments in the assessment area. See **Institution’s CRA Rating** section for information about a mortgage-backed security.

Table 16a: Qualified Investment Activity \$(000s)

	Benefits AA
Originated Investments	\$180
Originated Grants	
Prior-Period Investments that Remain Outstanding	
Total Qualified Investments	\$180
Unfunded Commitments*	

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 16b: Qualified Investment Percentages

	Benefits AA (%)
Total Investments/Allocated Tier 1 Capital	11%
Total Investments/Allocated Total Income	95%

Orlando-Kissimmee-Sanford, FL - Limited-Scope Assessment Area

There are no qualified investments in the assessment area.

Table 17a: Qualified Investment Activity \$(000s)

	Benefits AA
Originated Investments	\$0
Originated Grants	
Prior-Period Investments that Remain Outstanding	
Total Qualified Investments	\$0
Unfunded Commitments*	

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 17b: Qualified Investment Percentages

	Benefits AA (%)
Total Investments/Allocated Tier 1 Capital	0%
Total Investments/Allocated Total Income	0%

Tampa-St. Petersburg-Clearwater, FL – Limited-Scope Assessment Area

There are few qualified investments in the assessment area. See **Institution’s CRA Rating** section for information about a mortgage-backed security.

Table 18a: Qualified Investment Activity \$(000s)

	Benefits AA
Originated Investments	\$180
Originated Grants	
Prior-Period Investments that Remain Outstanding	
Total Qualified Investments	\$180
Unfunded Commitments*	

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 18b: Qualified Investment Percentages

	Benefits AA (%)
Total Investments/Allocated Tier 1 Capital	7%
Total Investments/Allocated Total Income	59%

Community Development ServicesFort Lauderdale-Pompano Beach-Deerfield Beach, FL – Full-Scope Assessment Area

Several employees facilitated sessions of a daylong financial literacy workshop for the Moneywise Empowerment Tour in Ft. Lauderdale. They utilized the FDIC Smart Money curriculum to teach topics related to savings and investments to attendees of whom the majority were low- and moderate-income. The services met financial literacy needs in the assessment area.

STATE OF GEORGIA

STATE OF GEORGIA RATING: Needs to Improve

Summary Conclusions About Performance

- The bank has a poor level of qualified investments and very few community development services.
- One unallocated qualified mortgage backed security benefited a number of assessment areas. We considered a portion of this investment in the state of Georgia.
- Community development activities are not innovative or complex.
- Activities exhibit poor responsiveness to the community development needs of the assessment area.

Description of Institution's Operations in the State of Georgia

In Georgia, one branch was located in an upper-income geography in Atlanta. As of June 30, 2013, the FDIC reported deposits totaling zero (\$0) in the bank's Georgia branch. Deposits are accepted by E*TRADE Savings Bank on behalf of E*TRADE Bank customers. We allocated 3 percent of ETB's deposits to the state of Georgia to assess community development performance. **See Table 2a - Allocation of Deposits by State and Table 2b - Allocation of Deposits by Assessment Area** to view the distributions of Tier 1 Capital and Total Income. Effective September 30, 2013, the branch office was closed for banking purposes.

Description of Assessment Area

The bank's assessment area consists of the Atlanta-Sandy Springs-Roswell, GA metropolitan statistical area (#12060). The assessment area includes Barrow, Bartow, Butts, Carroll, Cherokee, Clayton, Cobb, Coweta, Dawson, DeKalb, Douglas, Fayette, Forsyth, Fulton, Gwinnett, Haralson, Heard, Henry, Jasper, Lamar, Meriwether, Morgan, Newton, Paulding, Pickens, Pike, Rockdale, Spalding, and Walton counties. Principal cities are Alpharetta, Atlanta, Marietta, Roswell, and Sandy Springs. The area is primarily urban and suburban, and includes rural areas. The assessment area meets the regulatory requirements and does not arbitrarily exclude low- and moderate-income geographies. The bank's assessment area existed through September 30, 2013.

The table below shows the distribution of the assessment area's 946 geographies for families and businesses by income level:

Table 19: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	946	10%	25%	35%	30%
Families	1,277,286	22%*	17%*	20%*	41%*
Businesses	631,936	5%**	22%**	36%**	37%**

Source: Demographic Data - 2010 U.S. Census, Dun & Bradstreet Data. *Represents families by income level.

**Represents businesses by income level of census tract. Do not add to 100% due to rounding. Five (5) census tracts are not income categorized.

The assessment area has a population of 5,268,860 according to 2010 census data. The HUD adjusted median family income for 2013 is \$66,300, and households living below the poverty level stood at 11 percent. As of December 31, 2013, the unemployment rate is 6 percent.

The greater Atlanta area has a well-diversified economy. It ranks in the top twenty fastest growing areas in the country. The metropolitan area has a lower cost of living than the national average, and well below those of most major metropolitan areas. While job growth and industrial growth is rising, the area continues to feel the impact of the housing crisis. The area's low- and moderate-income and minority communities were devastated by predatory lending, foreclosure activity and unemployment, which continues to affect an individual's ability to borrow. The area has thousands of empty homes, blighted and vacant, a result of the housing crisis. These homes and abandoned properties need to be rehabilitated and repopulated to lift home values, stabilize neighborhoods, and bolster the economic recovery. Regarding rental housing, increasing demand is inflating rents somewhat, but the bigger concern is a lack of quality housing. Units suffer from deferred maintenance and in many cases, functional obsolescence and substandard construction.

The economic downturn made it difficult for small businesses to grow and create jobs due to tight credit and weak consumer demand. Many business owners are unfamiliar with small and micro-business loan products and, in addition, tightened credit has made these loan products unavailable. Low wealth, the lack of assets, and credit issues remain a significant barrier to local economic development.

The top employment sectors are state and local governments, restaurants, and employment services. Major employers include Delta Airlines, Wal-Mart Stores Inc., AT&T, Emory University, Publix Supermarkets, and The Home Depot USA, Inc.

Outreach meetings conducted by this Office during the evaluation period identified the following ongoing community needs and opportunities: financing for small-scale housing rehabilitation; financing for large multifamily housing rehabilitation; home counseling for first-time homebuyers, and legal services for foreclosures prevention; affordable homes; financing for single family home loans; working capital for nonprofit organizations such as lines of credit, grants, leveraged loans, predevelopment loans, and financial education for students. While larger banks have provided support, feedback from a few local leaders believe mid-size and smaller financial institutions could provide more support than currently provided.

Opportunities for financial institution to help address community development needs include

participation in the Piece by Piece Regional Foreclosure Response Initiative; supporting ANDP’s Foreclosure Redevelopment Initiative to restore vacant property to productive use; investing in various loan funds that assist developers who are engaged in foreclosure development of single family homes; and, investing in opportunities to spur community and economic development and job creation for residents in low- and moderate-income communities surrounding the new stadium in Atlanta. Other opportunities include supporting the economic redevelopment efforts undertaken by the city of Atlanta; providing equity contribution to tax credit projects; providing financial support to community development organizations; participating on community boards and partnerships with community-based organizations; assisting to develop and maintain scattered site rental housing to create a lease purchase program.

Qualified Investments

There are few qualified investments in the assessment area. See **Institution’s CRA Rating** section for information about a mortgage-backed security.

Table 20a: Qualified Investment Activity \$(000s)

	Benefits AA
Originated Investments	\$180
Originated Grants	
Prior-Period Investments that Remain Outstanding	
Total Qualified Investments	\$180
Unfunded Commitments*	

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 20b: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Allocated Tier 1 Capital	3%
Total Investments/Allocated Total Income	26%

Community Development Services

Fifteen employees taught sessions of a financial literacy class in participation with Operation Hope at an Atlanta middle school where the majority of the students are from low- and moderate-income families. The organization provides financial literacy programs for youth and communities. This community development service is responsive to the identified need of financial literacy.

STATE OF ILLINOIS

STATE OF ILLINOIS RATING: Satisfactory

Summary Conclusions About Performance

- The bank has a high level of combined qualified investments and community development services given the short nine-month evaluation period. Total qualified investments in Illinois are \$2.4 million. The volume of investments represents 23 percent of allocated Tier 1 Capital, and 201 percent of allocated Total Income.
- Community development activities are not innovative or complex.
- Community development activities exhibit adequate responsiveness to the needs of affordable housing financial assistance and financial literacy.

Description of Institution's Operations in the State of Illinois

In Illinois, one branch was located in an upper-income geography in Chicago. As of June 30, 2013, the FDIC reported deposits totaling zero (\$0) in the bank's Illinois branch. Deposits are accepted by E*TRADE Savings Bank on behalf of E*TRADE Bank customers. We allocated 6 percent of ETB's deposits to the state of Illinois to assess community development performance. See **Table 2a - Allocation of Deposits by State** and **Table 2b - Allocation of Deposits by Assessment Area** to view the distributions of Tier 1 Capital and Total Income. Effective September 30, 2013, the branch office closed for banking purposes.

Description of Assessment Area

The assessment area consists of the Chicago-Naperville-Arlington Heights metropolitan division (#16974). It is the largest of the four metropolitan divisions in the Chicago-Naperville-Elgin IL-IN-WI metropolitan statistical area (#16980). The assessment area includes Cook, DuPage, Grundy, Kendall, McHenry and Will counties. Principal cities include Chicago, Arlington Heights, Naperville, Aurora, Morris, Joliet, McHenry and Woodstock. The area is mostly urban and suburban with some limited rural areas. The bank's assessment area meets the regulatory requirements and does not arbitrarily exclude low- and moderate-income census tracts. The bank's assessment area existed through September 30, 2013.

The table below shows the distribution of the assessment area's 1,861 geographies for families and businesses by income level:

Table 21: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	1,861	13%	24%	32%	31%
Families	1,885,834	23%*	17%*	20%*	41%*
Businesses	555,309	5%**	15%**	33%**	46%**

Source: Demographic Data - 2010 U.S. Census, Dun & Bradstreet Data. *Represents families by income level.

**Represents businesses by income level of census tract. [Optional notes that can be used as needed: Do not add to 100% due to rounding. Five (5) census tracts are not income categorized.]

The assessment area has a population of 7,883,147 according to 2010 census data. The HUD adjusted median family income for 2013 is \$73,400, and households living below the poverty level is 12 percent. As of December 31, 2013, the unemployment rate is 6 percent.

The Chicago area is a major business, distribution, transportation and financial center. The economy is in the recovery stage following the housing crisis; however, the rebound continues to be slow. Professional and business services, tourism and convention, and high tech and logistics businesses drive growth. The housing and financial service sectors continue to stifle the economy. Several state and local budgetary pressures remain an obstacle. Foreclosure inventories are still more than twice as prevalent as they are nationwide.

Although the unemployment rate is progressing on a declining trajectory, it remains elevated compared to before the housing crisis, despite the economic recovery. Major employment sectors include professional and business services, educational and health services, government, retail trade, and manufacturing. Top employers are Wal-Mart Stores, Inc. Advocate Health Care System, Walgreen Company, JPMorgan Chase & Company, AT&T, United Airlines and Abbott Laboratories.

This Office contacted various community development organizations to determine if community development needs exist. Among the more significant community development needs expressed are affordable housing, homebuyer's financial assistance, consumer financial services, small business financing, foreclosure prevention related assistance, and financial literacy.

There are numerous community development opportunities with many community-based and national organizations in the area. The Chicago area presents abundant opportunities for financial institutions to serve the credit and community development needs of low- and moderate-income persons and areas. Many sophisticated, accomplished and well-capitalized community development organizations operate in the region. An extensive network of foundations, research centers and universities that provide them with funding, information and expertise, supports these organizations. In addition, local government agencies have designated many areas for redevelopment and devote a variety of resources (e.g., Tax Increment Financing districts, Empowerment Zones, HUD affordable housing programs) to increase investment in those areas.

Qualified Investments

During the evaluation period, ETSB made one investment and one grant in the assessment area. The investment is a mortgage-backed security to finance housing for low-income seniors in Barrington, Illinois. One grant supported a financial literacy program for low-income youth. An additional prior period investment consists of an allocated portion of a low-income housing tax credit supporting affordable multifamily housing for low- and moderate-income persons. The investments respond to the needs of affordable housing and financial literacy. Affordable housing and financial literacy are both identified community development needs in the assessment area

Table 22a: Qualified Investment Activity \$(000s)

	Benefits AA
Originated Investments	\$ 1,857
Originated Grants	\$2
Prior-Period Investments that Remain Outstanding	\$571
Total Qualified Investments	\$2,430
Unfunded Commitments*	

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 22b: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Allocated Tier 1 Capital	23%
Total Investments/Allocated Total Income	201%

Community Development Services

Two ETSB employees assisted AGORA Community Services, a HUD approved National Housing Counseling Intermediary, with the development of an asset-building program that provided down payment assistance to low- and moderate-income homebuyers. This community development service is responsive to the identified need of affordable housing financial assistance in the assessment area.

STATE OF MICHIGAN

STATE OF MICHIGAN RATING: Needs to Improve

Summary Conclusions About Performance

- The bank has a poor level of qualified investments and community development services.
- One unallocated qualified mortgage backed security benefited a number of assessment areas. We considered a portion of this investment in the state of Michigan.
- Community development activities are not innovative or complex.
- The bank exhibits poor responsiveness to the community development needs in the assessment area.

Description of Institution's Operations in the State of Michigan

ETSB operated one branch in an upper-income geography in the Warren-Troy-Farmington Hills metropolitan division. As of June 30, 2013, the FDIC reported deposits totaling zero (\$0) in the bank's Michigan branch. Deposits are accepted by E*TRADE Savings Bank on behalf of E*TRADE Bank customers. We allocated less than 1 percent of ETB's deposits to this state to assess community development performance. Very few deposits are derived from the state of Michigan. See **Table 2a - Allocation of Deposits by State** and **Table 2b - Allocation of Deposits by Assessment Area** to view the distributions of Tier 1 Capital and Total Income. Effective September 30, 2013, the branch office closed for banking purposes.

Description of Assessment Area

The bank's assessment area consists of the Warren-Troy-Farmington Hills, MI metropolitan division (#47664). This is the smaller of the two metropolitan divisions that make up the greater Detroit-Warren-Dearborn metropolitan statistical area (#19820). The assessment area includes the counties of Lapeer, Livingston, Macomb, Oakland, and St. Clair. Principal cities include Warren, Troy, and Farmington Hills. The area is primarily urban with some suburban and rural areas. The assessment area meets the regulatory requirements and does not arbitrarily exclude low- and moderate-income geographies. The bank's assessment area existed through September 30, 2013.

The table below shows the distribution of the assessment area's 689 geographies for families and businesses by income level:

Table 23: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	689	5%	21%	46%	27%
Families	660,775	20%*	18%*	21%*	40%*
Businesses	221,698	5%**	19%**	42%**	33%**

Source: Demographic Data - 2010 U.S. Census, Dun & Bradstreet Data. *Represents families by income level.
 **Represents businesses by income level of census tract. Do not add to 100% due to rounding. Seven (7) census tracts are not income categorized.

The assessment area has a population of 2,475,666 according to 2010 census data. The HUD adjusted median family income for 2013 is \$72,400, and 9 percent of households live below the poverty level. As of December 31, 2013, the unemployment rate is 7 percent.

This suburban area outside of Detroit has grown with an emphasis in technology for the automobile industry. Manufacturing employment grew 9 percent and there is a large skilled workforce including industrial engineers. *Forbes* magazine recently characterized the metropolitan area as “automation alley.”³

The top employers in the area are General Motors, Beaumont Hospitals, U.S. Department of Defense, Chrysler Group, Ford Motor Company, Trinity Health, and Henry Ford Health System.

Outreach meetings conducted by this Office identified the following ongoing community needs: loans for home purchase, affordable housing, home refinance and home improvement; foreclosure prevention education; financial literacy training for youth; capital for small business; and grants for local community service organizations. Opportunities for bank participation exist through partnerships with agencies supporting affordable housing and small business, housing developers, community service organizations, and low-income housing and new markets tax credits projects.

Qualified Investments

There are few qualified investments in the assessment area. See **Institution’s CRA Rating** section for information about a mortgage-backed security.

³ Source: Forbes Magazine

Table 24a: Qualified Investment Activity \$(000s)

	Benefits AA
Originated Investments	\$180
Originated Grants	
Prior-Period Investments that Remain Outstanding	
Total Qualified Investments	\$180
Unfunded Commitments*	

* "Unfunded Commitments" means legally binding investment commitments that are tracked and recorded by the bank's financial reporting system.

Table 24b: Qualified Investment Percentages

	Benefits AA (%)
Total Investments/Allocated Tier 1 Capital	131%
Total Investments/Allocated Total Income	1,125%

Community Development Services

ETSB did not provide any community development services in the assessment area during the evaluation period.

STATE OF MINNESOTA

STATE OF MINNESOTA RATING: Satisfactory

Summary Conclusions About Performance

- The bank has a high level of combined qualified investments and community development services given the short nine month evaluation period. Qualified investments in Minnesota total \$2 million. The volume of investments represents 85 percent of allocated Tier 1 Capital, and 741 percent of allocated Total Income.
- Community development activities are not innovative or complex.
- Community development activities exhibit adequate responsiveness as they address identified needs in the assessment area.

Description of Institution's Operations in the State of Minneapolis

ETSB operated one branch in an upper-income geography in the Minneapolis-St. Paul-Bloomington metropolitan statistical area. As of June 30, 2013, the FDIC reported deposits totaling zero (\$0) in the bank's Minnesota branch. Deposits are accepted by E*TRADE Savings Bank on behalf of E*TRADE Bank customers. We allocated 1 percent of ETB's deposits to this state to assess community development performance. See **Table 2a - Allocation of Deposits by State** and **Table 2b - Allocation of Deposits by Assessment Area** to view the distributions of Tier 1 Capital and Total Income. Effective September 30, 2013, the branch office was closed for banking purposes.

Description of Assessment Area

The bank's assessment area consists of the Minneapolis-St. Paul-Bloomington, MN-WI metropolitan statistical area (#33460) which is part of the Minneapolis-St. Paul MN-WI combined statistical area (#378). The assessment area includes Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Le Sueur, Mille Lacs, Ramsey, Scott, Sherburne, Sibley, Washington, and Wright counties in Minneapolis, and Pierce and St. Croix counties, in Wisconsin. Principal cities include Bloomington, Eagan, Eden Prairie, Minneapolis, Plymouth, and St. Paul. The area is primarily urban with some suburban and rural areas. The assessment area meets the regulatory requirements and does not arbitrarily exclude low- and moderate-income geographies. The assessment areas existed through September 30, 2013.

The table below shows the distribution of the assessment area's 772 geographies for families and businesses by income level:

Table 25: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	772	8%	21%	46%	24%
Families	818,942	19%*	18%*	24%*	39%*
Businesses	303,262	5%**	17%**	48%**	30%**

Source: Demographic Data - 2010 U.S. Census, Dun & Bradstreet Data. *Represents families by income level. **Represents businesses by income level of census tract. Do not add to 100% due to rounding. Four (4) census tracts are not income categorized.

The assessment area has a population of 3,279,833 according to 2010 census data. The HUD adjusted median family income for 2013 is \$82,300, and households living below the poverty level stood at 9 percent. As of December 31, 2013, the unemployment rate is 5 percent.

Top industries include management companies, insurance carriers, individual and family services and department stores. Major employers include Target Corporation, University of Minnesota, Allina Health System, Wells Fargo & Company, and Fairview Health Systems, United Health Group, 3M Corporation, HealthPartners, and U.S. Bancorp. There are about 40 financial institutions and many community development-related organizations with a presence in the area.

According to Moody’s Analytics, the area’s housing prices are now more reasonable since the housing crisis and the outlook for both private and public construction projects is better than prior years. Redevelopment projects are planned for downtown Minneapolis including renovation of the Nicollet Mall areas, and downtown east development. There is also an increased demand for apartments.⁴

Outreach meetings conducted by this Office identified community needs as affordable housing including rental housing for low-income individuals and families, financial literacy, homeownership counseling, job creation, and small business financial support, development and financing. Opportunities for participation by financial institutions include collaborating with organizations on various projects, and to provide community development services. There are many grassroots’ organizations, community developers, community service providers, private sector groups, and public agencies working throughout the metropolitan area.

Qualified Investments

During the evaluation period, ETSB made one investment and two grants in the assessment area. The investment in a mortgage-backed security financed four low-income housing tax credit (LIHTC) projects, which provide affordable rental housing for low- and very low-income households. The investment displays adequate responsiveness to the identified need of affordable housing. One of the two grants supports a nonprofit organization that provides homebuyer education and foreclosure prevention counseling to low- and moderate-income individuals. The

⁴ Source: Moody’s Analytics

second grant provides support for a community development organization that provides affordable housing and supportive services in the assessment area and surrounding communities. The grants are responsive to the identified need of homeowner counseling and community services. An additional prior period investment represents an allocated amount in a SBIC fund targeting investments to support small businesses. It remains responsive to the ongoing need to assist with small business financing needs.

Table 26a: Qualified Investment Activity \$(000s)

	Benefits AA
Originated Investments	\$1,618
Originated Grants	\$85
Prior-Period Investments that Remain Outstanding	\$313
Total Qualified Investments	\$2,016
Unfunded Commitments*	

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 26b: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Allocated Tier 1 Capital	85%
Total Investments/Allocated Total Income	741%

Community Development Services

Several employees conducted a seminar on the homeownership process at Community Neighborhood Housing Services, which specializes in foreclosure prevention, home improvement loans, new homeowner education, and provides a number of services to low- and moderate-income individuals. This community development service is responsive to the identified need of homeownership counseling.

STATE OF NEW YORK

STATE OF NEW YORK RATING: Satisfactory

Summary Conclusions About Performance

- The bank has a high level of qualified investments and high level of community development services given the short nine-month evaluation period. The overall volume of investments in the state of New York represents 13 percent of allocated Tier 1 Capital, and 110 percent of allocated Total Income. The investments support multifamily rental housing for low- and moderate-income individuals and families, and small businesses.
- One unallocated qualified mortgage backed security benefited a number of assessment areas. We considered a portion of this investment in the state of New York.
- Community development activities are not innovative or complex.
- Community development activities exhibit adequate responsiveness to the needs of affordable housing, support for small businesses, financial capacity, job readiness, and financial literacy

Description of Institution's Operations in the State of New York

The bank operated four branches in the state of New York. Three branches are located in the New York-Jersey City-White Plains metropolitan division. One of the three branches is located in a moderate-income geography and the other two branches are located in upper-income geographies. There is one branch in the Nassau-Suffolk metropolitan division located in an upper-income geography. As of June 30, 2013, the FDIC reported deposits totaling zero (\$0) in the bank's New York branches. Deposits are accepted by E*TRADE Savings Bank on behalf of E*TRADE Bank customers. We allocated 13 percent of ETB's deposits to the state of New York to assess community development performance based on where deposits were derived. Thirteen percent consists of the following: New York-Jersey City-White Plains metropolitan division 13 percent; and Nassau-Suffolk metropolitan division zero percent. See **Table 2a - Allocation of Deposits by State** and **Table 2b - Allocation of Deposits by Assessment Area** to view the distributions of Tier 1 Capital and Total Income. Effective September 30, 2013, the branches offices closed for banking purposes.

Description of Assessment Area

ETSB designated two assessment areas in the state of New York. They are the New York-Jersey City-White Plains metropolitan division (#35614), and the Nassau-Suffolk metropolitan division (#35004). The areas are primarily urban with some suburban areas. The assessment areas meet the regulatory requirements and do not arbitrarily exclude low- and moderate-income geographies. The assessment areas existed through September 30, 2013.

New York-Jersey City-White Plains, NY-NJ - Full-Scope Assessment Area

The assessment area consists of the New York-Jersey City-White Plains, NY-NJ metropolitan division, which is the largest of the four metropolitan divisions that comprise the New York-Newark-Jersey City, NY-NJ-PA metropolitan statistical area (#35620). The assessment area includes fourteen counties. In the state of New York, the counties include Bronx, Kings, New York, Orange, Queens, Richmond, Rockland, and Westchester counties. The counties in New Jersey include Bergen, Hudson, Middlesex, Monmouth, Ocean, and Passaic. Principal cities include Jersey City, Lakewood, Newark, New Brunswick, New York, White Plains, and Benton Harbor. The assessment area meets the regulatory requirements and does not arbitrarily exclude low-and moderate-income geographies. The area is primarily an urban setting. The bank’s assessment area existed through September 30, 2013.

The table below shows the distribution of the assessment area’s 2,920 geographies for families, business by income level:

Table 27: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	2,920	11%	23%	28%	34%
Families	2,675,727	26%*	15%*	16%*	43%*
Businesses	935,271	7%**	17%**	22%**	51%**

Source: Demographic Data - 2010 U.S. Census, Dun & Bradstreet Data. *Represents families by income level. **Represents businesses by income level of census tract. Do not add to 100% due to rounding. Seventy-two (72) census tracts are not income categorized.

New York is the largest metropolitan area in the country. The assessment area has a population of 11,576,251, according to the 2010 census data. The HUD adjusted median family income for 2013 is \$66,000, and 16 percent of households live below the poverty level. As of December 31, 2013, the unemployment rate is 5 percent. Banking competition is very strong with over 173 financial institutions operating almost 3,097 branches in the area.

New York City is a major world financial center. It is home to a diversified mix of businesses, with many national and international corporations headquartered in the area. New York City’s downtown area is dominated by the financial services industry historically, but is gaining some diversity through expansion into high-tech industries. Industries operating in the midtown area include advertising, fashion and publishing. Education and health services are major employers along with retail trade and social services. In addition, light manufacturing and wholesale trades provide a significant level of job opportunities in the Bronx.

Some of the largest employers include New York Presbyterian Healthcare Systems, Citigroup, JPMorgan Chase, Verizon, and Federated Department Stores. The five largest deposit institutions in order of deposit size are Bank of New York Mellon, Bank of America, Citibank, HSBC Bank USA, and Deutsche Bank Trust Company Americas. Competition is strong in the assessment area given the number of competing financial institutions and branch offices.

Homeownership is significantly lower than the national average of 64.7 percent. The cost of housing continues to rise with the median sales price of existing single-family homes at \$444,900 in 2012 and \$465,700 in 2013⁵. The cost of housing has resulted in an affordability problem for low- and moderate-income individuals. The severe shortage of affordable housing combined with competitive factors and stricter loan terms following the mortgage crisis significantly affected mortgage lending to low- and moderate-income borrowers and in low- and moderate-income communities.

Outreach meetings conducted by this Office identified ongoing community needs including subsidies for affordable housing to assist with closing costs and down payments; programs to assist low- and moderate-income first-time homebuyers; foreclosure prevention assistance; loan refinancing assistance; financial literacy for youth and adults; stay in school and job readiness programs; loans to small businesses; small business training regarding financing; grants and lines of credit for nonprofit organizations; commercial lending to fund various revitalization projects; financing the development of commercial, industrial, residential and multifamily properties; general social services to assist low- and moderate-income individuals and families; and additional access to financial services.

There are numerous community-based and national organizations presenting many opportunities for financial institutions to serve the credit and community development needs of small businesses, and low- and moderate-income persons and areas. The organizations' purposes vary widely, including affordable housing, financial literacy, community revitalization and job creation among many others. Many CDFIs are actively operating in the New York City area. Most are large CDFIs and offer various community development opportunities.

Qualified Investments

New York-Jersey City-White Plains, NY-NJ - Full-Scope Assessment Area

Two prior period investments consist of two funds supporting multifamily housing for low- and moderate-income families. Two additional prior period investments in small business funds support businesses based in low- and moderate-income areas. Five grants support various nonprofit organizations that address a range of community development needs, which include housing and supportive services for the homeless, affordable housing, homebuyer education for low- and moderate-income households, and, financial literacy and entrepreneurship education for low- and moderate-income youth. The investments display adequate responsiveness as the investments meet an identified need in the assessment area including affordable housing, and loans to small businesses. In addition, the grants display adequate responsiveness as they provide capacity to organizations that directly affect their communities through the delivery of community development programs and services.

⁵ Source National Association of Realtors

Table 28a: Qualified Investment Activity \$(000s)

	Benefits AA	Totals
Originated Investments		
Originated Grants	\$197	\$197
Prior-Period Investments that Remain Outstanding	\$2,612	\$2,612
Total Qualified Investments	\$2,809	\$2,809
Unfunded Commitments*		

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 28b: Qualified Investment Percentages

	Benefits AA (%)
Total Investments/Allocated Tier 1 Capital	12%
Total Investments/Allocated Total Income	101%

Nassau-Suffolk, NY - Limited-Scope Assessment Area

Performance is stronger than the overall performance given the bank’s small presence in the assessment area and the amount of qualified investments relative to allocated Tier 1 Capital and allocated Total Income. This positively supports the overall state of New York conclusion and rating. See **Institution’s CRA Rating** section for information about a mortgage-backed security.

Table 29a: Qualified Investment Activity \$(000s)

	Benefits AA
Originated Investments	\$180
Originated Grants	\$60
Prior-Period Investments that Remain Outstanding	
Total Qualified Investments	\$240
Unfunded Commitments*	

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 29b: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Allocated Tier 1 Capital	887%
Total Investments/Allocated Total Income	7,714%

Community Development Services

New York-Jersey City-White Plains, NY-NJ - Full-Scope Assessment Area

An Executive Vice President served 120 hours on the board of directors of GO Project, a nonprofit organization focused on low-income NYC public school children, providing academic, social, and emotional support to them and their families. Several employees served as business plan coaches at the Newark BizCamp for the Network for Teaching Entrepreneurship, a national nonprofit organization focused on low-income students to keep them in school and plan for successful futures. One employee also served as a member of the organization's board of directors and finance committee. An Executive Vice President served on the board of University Settlement Society, which provides social services to low-income individuals. Another employee provided online mentorships regarding college readiness to students from several high schools in conjunction with the i.Mentor.org, which builds mentoring relationships to empower students from low-income communities to graduate high school and succeed in college. Two employees provided online mentorships regarding education and career options in conjunction with icouldbe.org for students at schools in which the majority of students are from low- and moderate-income families. These community development services are responsive to the financial literacy, social services, and job readiness needs in the assessment area.

STATE OF OREGON

STATE OF OREGON RATING: Needs to Improve

Summary Conclusions About Performance

- The bank has a poor level of qualified investments and very few community development services.
- One unallocated qualified mortgage backed security benefited a number of assessment areas. We considered a portion of this investment in the state of Oregon.
- Community development activities are not innovative or complex.
- Community development activities exhibit poor responsiveness to community development needs in the assessment area.

Description of Institution's Operations in the State of Oregon

ETSB operated one branch in a low-income geography within the Portland-Vancouver-Hillsboro metropolitan statistical area. As of June 30, 2013, the FDIC reported deposits totaling zero (\$0) in the savings bank's Oregon branches. Deposits are accepted by E*TRADE Savings Bank on behalf of E*TRADE Bank customers. We allocated 4 percent of ETB's deposits to the state of Oregon to assess community development performance. See **Table 2a - Allocation of Deposits by State** and **Table 2b - Allocation of Deposits by Assessment Area** to view the distributions of Tier 1 Capital and Total Income. Effective September 30, 2013, the branch office closed for banking purposes.

Description of Assessment Area

The bank's assessment area consists of the Portland-Vancouver-Hillsboro OR-WA metropolitan statistical area (#38900). The assessment area includes Clackamas, Columbia, Multnomah, Washington, and Yamhill counties in Oregon, and Clark and Skamania counties in Washington. Principal cities include Beaverton, Hillsboro, Portland and Vancouver. The bank's assessment area is urban, suburban and rural. The assessment area meets the regulatory requirements and does not arbitrarily exclude low- and moderate-income census tracts. The assessment area existed through September 30, 2013.

The table below shows the distribution of the assessment area's 491 geographies for families and businesses by income level:

Table 30: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	491	3%	24%	47%	26%
Families	540,749	21%*	18%*	21%*	40%*
Businesses	249,649	4%**	22%**	44%**	29%**

Source: Demographic Data - 2010 U.S. Census, Dun & Bradstreet Data. *Represents families by income level.

**Represents businesses by income level of census tract. Do not add to 100% due to rounding. Two (2) census tracts are not income categorized.

The assessment area has a population of 2,226,009 according to 2010 census data. The HUD adjusted median family income for 2013 is \$68,300, and 11 percent of households live below the poverty level. As of December 31, 2013, the unemployment rate is 6 percent.

Technology manufacturing companies and their exports of semiconductors, and computer and electronic parts anchor Portland's economy. The Portland area has a diversified economy with substantial employment in the professional and business services sector and in education and health services. The manufacturing sector in Portland provides 11 percent of all jobs in the area.

Large employers in the Portland area include Intel, Fred Meyer, Inc., Safeway, Oregon Health & Science University, and Providence Health Systems.

Outreach meetings conducted by this Office identified the following community needs: cash donations to support programs for needy individuals and families; affordable housing; housing loans; financial expertise; and, financial literacy geared to youth and young adults. Also needed are: debt and equity financing for permanent housing and support services for the homeless; support for job training programs; micro loans of less than \$25,000 for small businesses; and, debt and equity financing for affordable housing for several specific populations including persons with disabilities, senior citizens, low- and very low-income households, and Native Americans.

Opportunities available for financial institutions to participate in meeting identified community development needs are numerous. There are nonprofit organizations who work with financial institutions, local government, foundations and other organizations to meet the community development needs of the area. For example, there are eleven CDFIs located in Portland that serve a wide variety of needs, including providing deposit and credit services to consumers, and financing for affordable housing and to small businesses.

Qualified Investments

There are few qualified investments in the assessment area. See **Institution's CRA Rating** section for information about a mortgage-backed security.

Table 31a: Qualified Investment Activity \$(000s)

	Benefits AA
Originated Investments	\$180
Originated Grants	
Prior-Period Investments that Remain Outstanding	
Total Qualified Investments	\$180
Unfunded Commitments*	

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 31b: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Allocated Tier 1 Capital	3%
Total Investments/Allocated Total Income	24%

Community Development Services

Several employees participated in a financial education program at Financial Beginnings delivered to participants of the Springdale Job Corp that focused on banking, budgeting, credit, investing, and risk management. Financial Beginnings is a nonprofit organization that empowers youth and adults to take control of their financial futures. The Springdale Job Corps is a free education and career technical training program administered by the US Department of Labor for low-income individuals 16-24 years old. This service is responsive to the job readiness and financial literacy identified needs in the assessment area.

STATE OF PENNSYLVANIA

STATE of PENNSYLVANIA RATING: Satisfactory

Summary Conclusions About Performance

- The bank has a high level of qualified investments and an adequate level of community development services given the short nine-month evaluation period. Total qualified investments in Pennsylvania are \$2.5 million. Of this amount, 60 thousand is a current period investment. The total volume of qualified investments represents 139 percent of allocated Tier 1 Capital, and 1,213 percent of allocated Total Income.
- Community development activities are not innovative or complex.
- Community development activities exhibit adequate responsiveness to community development needs.

Description of Institution's Operations in the State of Pennsylvania

ETSB operated one branch in an upper-income geography within the Philadelphia metropolitan division. As of June 30, 2013, the FDIC reported deposits totaling zero (\$0) in the bank's Pennsylvania branch. Deposits are accepted by E*TRADE Savings Bank on behalf of E*TRADE Bank customers. We allocated 1 percent of ETB's deposits to the state of Pennsylvania to assess community development performance. See **Table 2a - Allocation of Deposits by State** and **Table 2b - Allocation of Deposits by Assessment Area** to view the distributions of Tier 1 Capital and Total Income. Effective September 30, 2013, the branch office closed for banking purposes.

Description of Assessment Area

The bank's assessment area consists of the Philadelphia, PA metropolitan division (#37964). It is one of four divisions in the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD metropolitan statistical area (#37980). The assessment area includes Delaware and Philadelphia counties in Pennsylvania. The principal city includes Philadelphia. The assessment area meets the regulatory requirements and does not arbitrarily exclude low- and moderate-income geographies. The area is primarily urban and suburban. The assessment area existed through September 30, 2013.

The table below shows the distribution of the assessment area's 998 geographies for families and businesses by income level:

Table 32: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	998	16%	18%	30%	35%
Families	952,079	23%*	16%*	19%*	41%*
Businesses	386,347	9%**	13%**	29%**	49%**

Source: Demographic Data - 2010 U.S. Census, Dun & Bradstreet Data. *Represents families by income level.

**Represents businesses by income level of census tract. Do not add to 100% due to rounding. Sixteen (16) census tracts are not income categorized.

The assessment area has a population of 4,008,994 according to 2010 census data. The HUD adjusted median family income for 2013 is \$76,400, and 13 percent of households live below the poverty level. As of December 31, 2013, the unemployment rate is 5 percent.

Philadelphia is the fifth largest city, and the metropolitan area is the sixth largest by population in the country. Philadelphia is slowly prospering given the negative fiscal impact caused by the housing crisis. The population is growing and becoming more diverse. However, poverty remains a challenge. The city of Philadelphia has the third highest rate of poverty, and has the lowest median household income among the twenty-two most populous U.S. cities. The unemployment rate remains above the national rate but has improved since 2010. However, very recent information shows positive trends with poverty rates slightly declining. Interest in commercial development in downtown Philadelphia is growing and tourism has been rising.

Leading industries include education and health services, government, professional and business services, and leisure and hospitality services. Major employers include the University of Pennsylvania and Health System, Thomas Jefferson University and TJUH System, Comcast Corporation, Drexel University, Einstein Healthcare Network, Temple University, and Wells Fargo, N.A.

Leaders within community-based organizations revealed the following credit and community development needs: affordable housing; housing loans including purchase money, refinancing and home improvement; foreclosure prevention; financial literacy particularly for youth; start-up capital and lines of credit for small businesses; and, grants and donations to help support nonprofit organization's operations and programs. Another need for low-income households is an emergency home repair program.

There are a significant number of opportunities for financial institutions to help meet community needs through lending, services, and investment. Opportunities exist through partnerships with organizations supporting affordable housing, small business, affordable housing developers, and community service organizations. Other investment opportunities exist with low-income housing tax credits, and new markets tax credits.

Qualified Investments

ETSB provided one grant in the assessment area, and has three prior investments. The grant provided funding to a local community development corporation that provides housing counseling and neighborhood revitalization services in its community. The prior period investments provided funding to support affordable multi-family housing with low-income housing tax credits, and to support small business investments through an SBIC in the assessment area. The bank was responsive to community development needs in the assessment area. Therefore, we considered community development investments that benefit areas outside the bank’s assessment area. One investment outside the assessment area but in the state of Pennsylvania represents an allocated amount in an SBIC fund targeting investments to support small businesses. These investments reflect adequate responsiveness to community development needs as they address affordable housing, financial support for small businesses, and donations to help support community organization’s operations and programs.

Table 33a: Qualified Investment Activity \$(000s)

	Benefits AA	Outside AA	Totals
Originated Investments			
Originated Grants	\$20		\$20
Prior-Period Investments that Remain Outstanding	\$2,181	\$313	\$2,494
Total Qualified Investments	\$2,201	\$313	\$2,514
Unfunded Commitments*			

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 33b: Qualified Investment Percentages

	Benefits AA (%)	Outside AA (%)	Total (%)
Total Investments/Allocated Tier 1 Capital	122%	17%	139%
Total Investments/Allocated Total Income	1,062%	151%	1,214%

Community Development Services

Several employees facilitated a financial education seminar at Mt. Airy Community Development Corporation using the FDIC's Money Smart Program. The seminar focused on a variety of topics including budgeting, savings, financial planning and investments. The organization is a nonprofit organization that provides housing counseling, real estate development, and commercial corridor revitalization. This community development service is responsive to the financial literacy needs in the assessment area.

STATE OF TEXAS

STATE OF TEXAS RATING: Satisfactory

Summary Conclusions About Performance

- The bank has a high level of qualified investments and an adequate level of community development services given the short nine-month evaluation period. Total overall qualified investments in Texas total \$5.9 million, which represents 26 percent of allocated Tier 1 Capital, and 226 percent of allocated Total Income.
- Community development activities are not innovative or complex.
- Community development activities exhibit adequate responsiveness to the needs of affordable rental housing and financial literacy.

Description of Institution's Operations in the State of Texas

ETSB operated one branch in an upper-income geography in the Houston-The Woodlands-Sugar Land, TX metropolitan statistical area, and one branch in an upper-income geography in the Dallas-Plano-Irving metropolitan division. As of June 30, 2013, the FDIC reported deposits totaling zero (\$0) in the savings bank's Texas branches. Deposits are accepted by E*TRADE Savings Bank on behalf of E*TRADE Bank customers. We allocated 12 percent of ETB's deposits to the state of Texas to assess community development performance based on where deposits were derived. Twelve percent consists of the following: Houston-The Woodlands-Sugar Land metropolitan statistical area 8 percent; and Dallas-Plano-Irving metropolitan division 4 percent. See **Table 2a - Allocation of Deposits by State** and **Table 2b - Allocation of Deposits by Assessment Area** to view the distributions of Tier 1 Capital and Total Income. Effective September 30, 2013, the branch offices were closed for banking purposes.

Description of Assessment Areas

ETSB designated two assessment areas within the state of Texas. They are Houston-The Woodlands-Sugar Land, TX metropolitan statistical area (#26420), and the Dallas-Plano-Irving, TX metropolitan division (#19124). The assessment areas meet the regulatory requirements and do not arbitrarily exclude low- and moderate-income geographies. The assessment areas existed through September 30, 2013. For analysis purposes, we selected the Houston-The Woodlands-Sugar Land, TX metropolitan statistical area for a full-scope review due to the bank's large presence in Texas and the high level of opportunities for financial institutions to help meet community credit needs. The other metropolitan division received a limited-scope review due to the bank's smaller presence in the state of Texas, and it received a full scope review during the prior CRA examination.

Houston-Sugar Land-Baytown, TX - Full-Scope Assessment Area

The bank’s assessment area consists of the Houston-The Woodlands-Sugar Land, TX metropolitan statistical area (#26420). The assessment area includes Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller counties. Principal cities include Baytown, Conroe, Houston, Sugar Land and The Woodlands. The assessment area meets the regulatory requirements and does not arbitrarily exclude low- and moderate-income geographies. The area was primarily urban with some suburban and rural areas. The bank’s assessment area existed through September 30, 2013.

The table below shows the distribution of the assessment area’s 1,073 geographies for families and businesses by income level:

Table 34: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	1,073	13%	29%	27%	31%
Families	1,399,621	24%*	17%*	18%*	42%*
Businesses	580,232	8%**	20%**	26%**	46%**

Source: Demographic Data - 2010 U.S. Census, Dun & Bradstreet Data. *Represents families by income level. **Represents businesses by income level of census tract. Do not add to 100% due to rounding. Six (6) census tracts are not income categorized.

Houston is the fourth largest metropolis in the country. The assessment area has a population of 5,946,800 according to 2010 census data. The HUD adjusted median family income for 2013 is \$66,200, and households living below the poverty level is 13 percent. As of December 31, 2013, the unemployment rate is 5 percent.

Houston has among the lowest cost of living among the nation’s 20 most populous areas. Housing prices fall below the national average. However, prices are rising and have caused an increase in the number of families burdened by high housing costs.

The area’s economy continues to grow at a very fast pace and is very diverse. It includes a strong industrial base in several sectors as well as strong health care, technology and aeronautics industries. Energy is the major industry with more than 5,000 energy-related firms. Houston is a world leader in the chemical industry. The top employers in the area are Memorial Hermann Health System, the University of Texas MD Anderson Cancer Center, United Airlines, ExxonMobil Corporation, Houston Methodist (health care), and Shell Oil Company.

Outreach meetings conducted by this Office identified ongoing community needs as financial literacy, homebuyer’s education, assistance with home loan closing costs and down payment assistance, affordable housing, affordable rental housing in the inner city, rental housing, mixed use projects to provide housing and services close to public transportation, and credit repair counseling. Also needed are funding for single-family home repairs, bilingual written materials to address language barriers, programs for workforce development, and comprehensive plans for neighborhood revitalization or stabilization. There is also a need for alternative sources of credit for small businesses such as lines of credit, working capital loans, and asset-based lending for those who do not qualify for SBA-guaranteed loans. Better public transportation is needed to

connect the suburban population to jobs in the city. The previously neglected Gulfton neighborhood, which is slowly heading to become a more stable community,⁶ needs a holistic plan to provide housing, youth and adult financial education, and meet health care needs to the local population.

Opportunities for participation by financial institutions include working with nonprofit organizations to make small business loans, using mobile banking to reach the unbanked or underbanked, and accepting individual development accounts (IDA) funds as down payment and closing costs for home loans. Other opportunities include offering financial and human resources such as Board memberships, volunteers, technical assistance, grants, loans, and low cost bank products and services.

Qualified Investments

Houston-The Woodlands-Sugar Land, TX - Full-Scope Assessment Area

The bank has two investments in the assessment area. The investments are mortgage-backed securities that provide affordable multifamily rental housing for low- and moderate-income households including seniors. One of the two investments is solely for Section 8 participants. The investments display adequate responsiveness as they both meet the identified community development need of affordable rental housing.

Table 35a: Qualified Investment Activity \$(000s)

	Benefits AA
Originated Investments	\$4,844
Originated Grants	
Prior-Period Investments that Remain Outstanding	
Total Qualified Investments	\$4,844
Unfunded Commitments*	

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 35b: Qualified Investment Percentages

	Benefits AA (%)
Total Investments/Allocated Tier 1 Capital	31%
Total Investments/Allocated Total Income	266%

⁶ Source: Houston Press

Dallas-Plano-Irving, TX - Limited-Scope Assessment Area

Performance in the Dallas-Plano-Irving assessment area is weaker than the overall performance given the lower proportion of qualified investments. This did not adversely affect the overall state of Texas conclusion and rating as the proportion of investments in the Dallas-Plano-Irving assessment area is nonetheless considered high given the short nine-month evaluation period.

Table 36a: Qualified Investment Activity \$(000s)

	Benefits AA
Originated Investments	\$1,020
Originated Grants	
Prior-Period Investments that Remain Outstanding	
Total Qualified Investments	\$1,020
Unfunded Commitments*	

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 36b: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Allocated Tier 1 Capital	15%
Total Investments/Allocated Total Income	133%

Community Development Services

Houston-The Woodlands-Sugar Land, TX - Full-Scope Assessment Area

There was one community development service in the Houston assessment area. Several employees facilitated sessions of a daylong financial literacy workshop for the Moneywise Empowerment Tour in a low-income neighborhood in Houston. They utilized the FDIC Smart Money curriculum to teach topics related to savings and investments. This service is responsive to the community development need of financial literacy.

DISTRICT OF COLUMBIA

DISTRICT OF COLUMBIA RATING: Outstanding

Summary Conclusions About Performance

- The bank has a high level of combined community development activities. The levels of qualified investments and community development services are each high in relation to available opportunities, the bank's financial capacity, and the two-year evaluation period. The overall volume of investments totaling \$44.1 million represents 22 percent of average Tier 1 Capital, and 177 percent of average Total Income. Community development services are high in one assessment area and poor in the other. The overall high level of community development activities supports the rating for the District of Columbia.
- Community development activities are not innovative or complex.
- Community development activities exhibit excellent responsiveness to the need of affordable rental housing. Activities were also responsive to financial literacy and job readiness needs in the assessment areas.

Description of Institution's Operations in the District of Columbia

ETSB operated one branch in an upper-income geography in Washington, D.C. As of June 30, 2014, the FDIC reported deposits totaling \$946 million. However, this total consists of sweep accounts and not actual deposits derived from the assessment area. Subsequent to the branch closings on September 20, 2013, we allocated 100 percent of ETB's deposits to the District of Columbia assessment areas to evaluate community development performance. Of this, we allocated 28 percent and 72 percent to the Silver Springs-Frederick-Rockville, MD and the Washington-Arlington-Alexandria DC-VA-MD-WV metropolitan divisions, respectively. See **Table 1 – Financial Information** to view Tier 1 Capital and Total Income and other financial information. The bank maintains its headquarters in Arlington, Virginia.

Description of Assessment Areas

ETSB designated two metropolitan divisions, collectively known as District of Columbia, as assessment areas: Silver Spring-Frederick-Rockville, MD (#43524); and, Washington-Arlington-Alexandria DC-VA-MD-WV (#47894). Both are part of the greater Washington-Arlington-Alexandria DC-VA-MD-WV metropolitan statistical area (#47900). The areas are primarily urban and suburban with some rural areas. The assessment areas meet the regulatory requirements and do not arbitrarily exclude low- and moderate-income geographies.

Silver Spring-Frederick-Rockville, MD – Full-Scope Assessment Area

The assessment area includes the counties of Frederick and Montgomery, located in central

Maryland. Principal cities include Frederick, Rockville, and Silver Spring. The area is primarily urban with some rural areas. There are no branch offices in the assessment area.

The table below shows the distribution of the assessment area’s 276 census tracts for families and businesses by income level:

Table 37: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	276	6%	29%	36%	28%
Families	303,467	21%*	17%*	22%*	40%*
Businesses	106,931	4%**	28%**	59%**	4%**

Source: Demographic Data-2010 U.S. Census, Dun & Bradstreet Data. *Represents families by income level. **Represents businesses by income level of census tract. Do not add to 100% due to rounding. All census tracts are income categorized.

The assessment area has a population of 1,205,162 according to 2010 census data. The HUD adjusted median family income for 2013 is \$111,300, and households living below the poverty level stood at 5 percent. As of December 31, 2013, the unemployment rate was 4 percent. While financial institutions continue to recover from the financial crisis, some neighborhoods continue to experience depressed housing values.

Montgomery County contains many major U.S. government offices and research facilities. It ranks among the highest biotechnology areas in the mid-Atlantic region. Its median family income ranks among the highest in the country.

In Frederick County, the effects of the housing crisis continue as home foreclosures are still noticeably occurring. Many home values have not recovered, yet home affordability continues to be an issue. The creation of affordable housing has been difficult, and the perception of public housing has hindered future development. Many multi-generational families seek affordable housing in Frederick County.

There are many financial institutions and community development-related organizations with a presence in the assessment area. Major employers include Fort Detrick, Frederick County Public Schools, Montgomery County, Frederick Memorial Healthcare, Lockheed Martin Information Systems, Westat, Leidos Biomedical Research, and Wells Fargo Home Mortgage.

Various outreach meetings conducted by this Office during the evaluation period identified the following ongoing community needs: affordable housing; affordable rental housing; financial education to help homeowners understand the loan modification process and to prevent foreclosure; activities to stabilize certain neighborhoods; more outreach by housing counseling agencies; job creation; job training and workforce development; traditional financial products and services for the unbanked or underbanked population; micro loans to small businesses; financial intermediaries to assist small businesses; board membership and technical expertise to assist various community service organizations; increased funds for agencies not sufficiently

budgeted; funding to support growing demand for housing and home counseling services; down payment assistance for low- or moderate-income homebuyers; funding to rehabilitate public housing; and, equity partners for multifamily housing development.

There are many opportunities available for financial institutions to help address lending, investment, and service needs. The area is served by several CDFIs, nonprofit organizations, and community and economic development entities that provide community development opportunities. Local governments, foundations and other organizations can also provide opportunities for financial institutions to help address community development needs.

Washington-Arlington-Alexandria, DC-VA-MD-WV – Full-Scope Assessment Area

The assessment area includes the Virginia counties of Arlington, Clarke, Culpeper, Fairfax, Fauquier, Loudoun, Prince William, Rappahannock, Spotsylvania, Stafford and Warren located in northeast Virginia; Calvert County, Charles County and Prince George’s County in Maryland; and Jefferson County in West Virginia. Principal cities include Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park. The assessment area also includes Washington, D.C. The area is primarily urban and suburban and includes rural areas.

The table below shows the distribution of the assessment area’s 1,082 census tracts for families and businesses by income level:

Table 38: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	1,082	10%	24%	35%	30%
Families	1,020,547	21%*	18%*	19%*	42%*
Businesses	402,981	4%**	18%**	36%**	40%**

Source: Demographic Data-2010 U.S. Census, Dun & Bradstreet Data. *Represents families by income level.

**Represents businesses by income level of census tract. Do not add to 100% due to rounding. Twelve census tracts are not income categorized.

The assessment area has a population of 4,431,070 according to 2010 census data. The HUD adjusted median family income for 2013 is \$107,100, and households living below the poverty level stood at 7 percent. As of December 31, 2013, the unemployment rate is 4 percent.

The Washington D.C. area has a high per capita income, and a highly educated workforce. It is a major center for information technology, and a popular tourist destination. In addition, there is strong population growth. The area’s cost of living including housing costs are high. While home prices are beginning to rise, affordability remains an issue for low- and moderate-income individuals and families. The local banking environment is competitive. A number of credit unions as well as non-depository financial entities that provide services such as check cashing, payday lending, and bill pay services serve the greater Washington D.C. area. Business costs are high, and there is high concentration to federal government directly and from companies dependent on government contracts.

While financial institutions continue to recover from the financial crisis, some neighborhoods continue to experience depressed housing values. Prince George's County in Maryland was severely affected by foreclosure activity. Many home values are "underwater" which is affecting almost half of all homeowners.

According to the Jefferson County Development Authority in WV, there is ready access to major transportation routes, and ideally situated for business, manufacturing, and industry. As one of the fastest growing counties in West Virginia, Jefferson County is a major economic driver in a state that boasts the nation's fourth lowest cost of doing business, low utility rates and a highly skilled and loyal workforce. The average home price in the county is \$191,000.

There are over 50 financial institutions and many community development-related organizations with a presence in the assessment area. The top three employment sectors are professional scientific and technical services, government, and retail trade. Major employers include Naval Support Activity Washington, Department of Defense, Northrop Grumman, SAIC, INOVA Health System, Booz, Allen & Hamilton, MedStar Health, Federal Home Loan Mortgage Corporation, General Dynamics, George Mason University, and Lockheed Martin Corporation. Major employers in Jefferson County, WV include PNGI Charles Town Gaming Ltd, Shepherd College, Royal Vendors, Inc., and Jefferson Memorial Hospital.

Various outreach meetings conducted by this Office during the evaluation period identified the following ongoing community needs: affordable homes, rental housing across all income levels, senior housing, homeownership counseling, micro loans for small businesses, funding support for both debt and equity for nonprofit community development organizations that serve low- and moderate-income communities and households, operational support for housing-related organizations, financial education for small business owners and students, and financing of four-to-eight multifamily housing units.

There are many opportunities available for financial institutions to help address lending, investment and service needs. The area is served by many CDFIs, nonprofit organizations, and community and economic development entities that provide potential opportunities. Local governments, foundations and other organizations can also provide opportunities.

Qualified Investments

The bank provided a high level of qualified investments in the District of Columbia. The level of investments represents 22 percent of average Tier 1 Capital, and 177 percent of average Total Income. The level of qualified investments is higher in the Washington-Arlington-Alexandria, DC-VA-MD-WV metropolitan division. Qualified investments exhibit excellent responsiveness as they meet the identified need of affordable rental housing.

Silver Spring-Frederick-Rockville, MD – Full Scope Assessment Area

The bank provided qualified investments that benefit inside and outside the assessment area. Most

investments support affordable housing and small business development including mortgage-backed securities, as well as a number of investments in SBICs, CDFIs, low-income housing tax credits, and loan funds. The bank was responsive to community development needs in the assessment area. Therefore, we considered community development investments that benefit areas outside the bank’s assessment area. This investment is a SBIC fund and an equity fund targeted to areas inside and outside of the bank’s assessment area. Unfunded commitments consist of allocated portions of seven investments in the current and prior periods. Five of the seven investments are in SBICs, which invest in small businesses, one investment is a low-income housing tax credit that supports affordable housing, and one investment is in a CDFI that supports job creation and retention in low- and moderate-income areas for low- and moderate-income persons employed by small businesses.

Overall qualified investments exhibit excellent responsiveness as they meet the identified needs of affordable housing, job training, loans to small businesses, and other assistance that supports small businesses.

Table 39a: Qualified Investment Activity \$(000s)

	Benefits AA	Outside AA	Totals
Originated Investments	\$9,036	0	\$9,036
Originated Grants	0	0	0
Prior-Period Investments that Remain Outstanding	\$405	\$677	\$1,082
Total Qualified Investments	\$9,441	\$677	\$10,118
Unfunded Commitments*	\$1,612	0	\$1,612

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 39b: Qualified Investment Percentages

	Benefits AA (%)	Outside AA (%)	Total (%)
Total Investments/Average Tier 1 Capital	5%	0.3%	5%
Total Investments/Average Total Income	38%	3%	41%

Washington-Arlington-Alexandria, DC-VA-MD-WV – Full Scope Assessment Area

The bank provided many qualified investments benefiting the assessment area. Investments consisted largely of activities that support affordable housing and small business development including mortgage-backed securities, as well as a number of investments in SBICs, CDFIs, low-income housing tax credits, and loan funds. The bank also made seven grants to community development and nonprofit organizations supporting needs such as affordable housing, job training and workforce development, financial and other education programs for low- and moderate-income individuals, small business training and development, and community services to low- and moderate-income individuals and families. Unfunded commitments consist of allocated portions of seven investments in the current and prior periods. Five of the seven investments are in SBICs who invest in small businesses, one investment is a low-income housing tax credit that supports affordable housing, and one investment is

in a CDFI that supports job creation and retention in low- and moderate-income areas for low- and moderate-income persons employed by small businesses.

Qualified investments exhibit excellent responsiveness as they meet the identified needs of affordable housing, job training, loans to small businesses, other assistance that supports small businesses, financial education, and funding for community development organizations that provide services to low- and moderate-income individuals.

Table 40a: Qualified Investment Activity \$(000s)

	Benefits AA
Originated Investments	\$32,987
Originated Grants	\$650
Prior-Period Investments that Remain Outstanding	\$405
Total Qualified Investments	\$34,042
Unfunded Commitments*	\$2,400

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 40b: Qualified Investment Percentages

	Benefits AA (%)
Total Investments/Average Tier 1 Capital	17%
Total Investments/Average Total Income	137%

Community Development Services

The bank provided an overall high level of community development services in the District of Columbia. The level was high in the Washington-Arlington-Alexandria metropolitan division due to the bank’s location in Arlington, VA with many employees readily available to provide services. Community development services covered a wide range of activities addressing identified needs including homeless services, affordable rental housing, homeownership counseling, financial literacy to the unbanked and underbanked, workforce development and employment, and financial education to youth of low- and moderate-income households. Community development services also supported organizations that promote economic development. The level of community development services was poor in the Silver Springs-Frederick-Rockville metropolitan division.

Silver Spring-Frederick-Rockville, MD – Full Scope Assessment Area

There were no community development services provided during the evaluation period. The bank does not maintain an office in the Silver Spring-Fredrick-Rockville metropolitan division.

Washington-Arlington-Alexandria, DC-VA-MD-WV – Full Scope Assessment Area

An employee served on the board of directors for Hogar Hispano, a nonprofit organization that supports economic development programs serving low- and moderate-income Latino families in

such areas as foreclosure prevention programs and the resale of foreclosed properties. The same employee also served on the local advisory committee for the Local Initiatives Support Corporation, which is a community development intermediary and a certified CDFI. Two employees provided online mentorships regarding education and career options in conjunction with icouldbe.org for students at schools in which the majority of students are low- and moderate-income. Forty-three employees participated in events and activities with the Network for Teaching Entrepreneurship, a national organization focused on low-income students to keep them in school and plan for successful futures. The community development services display excellent responsiveness as they meet the identified ongoing needs of financial education, homeownership counseling, and providing various services to low-income individuals and families.

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. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau.

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

The OCC will consider any evidence of discriminatory or other illegal credit practices relative to this institution that other regulators may provide to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information provided concerns activities that occurred during the evaluation period addressed in this performance evaluation.

APPENDIX A: SUMMARY OF STATE RATINGS

State/Multi-State	Ratings	E*TRADE Saving Bank Overall Bank Rating
		Satisfactory
Arizona	Needs to Improve	
California	Satisfactory	
Colorado	Needs to Improve	
Florida	Needs to Improve	
Georgia	Needs to Improve	
Illinois	Satisfactory	
Michigan	Needs to Improve	
Minnesota	Satisfactory	
New York	Satisfactory	
Oregon	Needs to Improve	
Pennsylvania	Satisfactory	
Texas	Satisfactory	
District of Columbia	Outstanding	

APPENDIX B: SCOPE OF EXAMINATION

The following table identifies the time period covered in this evaluation, affiliate activities reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed:	<p>January 1, 2013 through December 31, 2014 – District of Columbia</p> <p>January 1, 2013 through September 30, 2013 - All assessment areas except the District of Columbia</p>
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Financial Institution:	E*TRADE Savings Bank (ETSB) Arlington, VA	Products Reviewed: Qualified investments, grants, and community development services
Affiliates:	E*TRADE Bank (ETB), Arlington, VA	Products Reviewed: Qualified investments, grants, and community development services
	E*TRADE Community Development Corporation	Products Reviewed: Qualified investments, grants

APPENDIX B: SCOPE OF EXAMINATION (CONTINUED)**List of Assessment Area, Type of Review, Evaluation Period**

Assessment Area	MD or MSA Number	Type of Review	Evaluation Period
State of Arizona:			
Phoenix-Mesa-Scottsdale, AZ	MSA 38060	Full Scope	1/1/2013 through 9/30/2013
State of California:			
Anaheim-Santa Ana-Irvine	MD 11244	Limited Scope	1/1/2013 through 9/30/2013
Los Angeles-Long Beach-Glendale	MD 31084	Limited Scope	1/1/2013 through 9/30/2013
Sacramento-Roseville-Arden Arcade	MSA 40900	Limited Scope	1/1/2013 through 9/30/2013
San Diego-Carlsbad	MSA 41740	Limited Scope	1/1/2013 through 9/30/2013
San Francisco-Redwood City-South San Francisco	MD 41884	Full Scope	1/1/2013 through 9/30/2013
San Jose-Sunnyvale-Santa Clara	MSA 41940	Full Scope	1/1/2013 through 9/30/2013
State of Colorado:			
Denver-Aurora-Lakewood	MSA 19740	Full Scope	1/1/2013 through 9/30/2013
State of Florida:			
Fort Lauderdale-Pompano Beach- Deerfield Beach	MD 22744	Full Scope	1/1/2013 through 9/30/2013
Orlando-Kissimmee-Sanford	MSA 36740	Limited Scope	1/1/2013 through 9/30/2013
Tampa-St. Petersburg-Clearwater	MSA 45300	Limited Scope	1/1/2013 through 9/30/2013
State of Georgia:			
Atlanta-Sandy Springs-Roswell	MSA 12060	Full Scope	1/1/2013 through 9/30/2013
State of Illinois:			
Chicago-Naperville-Arlington Heights	MD 16974	Full Scope	1/1/2013 through 9/30/2013
State of Michigan:			
Warren-Troy-Farmington Hills	MD 47644	Full Scope	1/1/2013 through 9/30/2013
State of Minnesota:			
Minneapolis-St. Paul-Bloomington, MN-WI	MSA 33460	Full Scope	1/1/2013 through 9/30/2013
State of New York:			
Nassau-Suffolk, NY	MD 35004	Limited Scope	1/1/2013 through 9/30/2013
New York-Jersey City-White Plains, NY-NJ	MD 35614	Full Scope	1/1/2013 through 9/30/2013
State of Oregon:			
Portland-Vancouver-Hillsboro, OR-WA	MSA 38900	Full Scope	1/1/2013 through 9/30/2013
State of Pennsylvania:			
Philadelphia	MD 37964	Full Scope	1/1/2013 through 9/30/2013
State of Texas:			
Dallas-Plano-Irving	MD 19124	Limited Scope	1/1/2013 through 9/30/2013
Houston-The Woodlands-Sugar Land	MSA 26420	Full Scope	1/1/2013 through 9/30/2013
District of Columbia:			
Washington – Arlington – Alexandria, DC-VA-MD-WV	MD 47894	Full Scope	1/1/2013 through 12/31/2014
Silver Spring – Frederick – Rockville, MD	MD 43524	Full Scope	1/1/2013 through 12/31/2014

DEFINITIONS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this performance evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate – Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Assessment Area (AA) – A geographic area that consists generally of one or more MSAs (using the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

Benefit to Assessment Area – A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity benefits a broader statewide or regional area that includes the bank’s assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

Block Numbering Area (BNA) – Statistical subdivisions of counties in which census tracts have not been established. The United States Census Bureau has established BNAs in conjunction with state agencies.

Census Tract (CT) – Small, relatively permanent statistical subdivisions of a county delineated by local participants as part of the U.S. Census Bureau’s Participant Statistical Areas Program. The primary purpose of CTs is to provide a stable set of geographic units for the presentation of decennial census data. CTs generally have between 1,500 and 8,000 people with an optimum size of 4,000 people.

Community Development (CD) – Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301)) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) – The statute that requires the OCC to evaluate a bank’s record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Geography – A census tract or a block numbering area delineated by the United States Bureau of

the Census in the most recent decennial census.

Median Family Income (MFI) – The median income derived from the United States Census Bureau’s American Community Survey data every 5 years and used to determine the income level category of geographies. Also, it is the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level of individuals within a geography. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

Metropolitan Statistical Area (MSA) – Area defined by the director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Net Operating Income – As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments. [*Schedule RI - Income Statement, line 8 or UBPR, page 2, “PreTax Operating Income (TE)”*]

Tier 1 Capital – The total of common shareholders’ equity, perpetual preferred shareholders’ equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries. [*Schedule RC-R - Regulatory Capital, line 3a(1) or UBPR, page 11A, “Net Tier One”*]

Total Assets – Total bank assets as listed in the Consolidated Report of Condition and Income. [*Schedule RC - Balance Sheet, line 12 or UBPR, page 4, “Total Assets”*]

Total Income – From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income. [*Schedule RI - Income Statement, Total Interest Income, line 1g and Total Noninterest Income, line 5g, except for banks with domestic offices only and total assets less than \$100 million, line 5c or UBPR, page 2, “Total Interest Income” and “Noninterest Income”*]

Wholesale Institution – An institution that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers and for which a designation as a wholesale bank is in effect.