



# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

October 15, 2012

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

E\*TRADE Bank  
Charter Number: 705848

671 North Glebe Road  
Ballston Tower  
Arlington, Virginia 22203

Office of the Comptroller of the Currency (OCC)

Large Bank Supervision  
400 7<sup>th</sup> 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, and should not 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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## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

The following table indicates the performance level of **E\*TRADE Bank** with respect to the Lending, Investment, and Service Tests:

Performance Levels	E*TRADE Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Low Satisfactory	X	X	
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- Lending represents an adequate responsiveness to the credit needs of the assessment area, given the nature of the institution, its national market focus and its business strategy.
- The distribution of home mortgage loans among geographies of different income levels is excellent and among borrowers of different income levels is adequate.
- An investment volume that reflects an adequate level of responsiveness to the community development needs of the assessment area.
- There is an excellent level of community development services provided in the assessment area.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. 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 the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental 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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**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.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division (MD):** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

E\*TRADE Bank (ETB) is a federally chartered savings bank headquartered in Arlington, Virginia. ETB is a bank subsidiary of E\*TRADE Financial Corporation, a financial services company providing online brokerage products and services primarily to individual retail investors. ETB operates under a “branchless” strategy with a limited-service main office housing two “teller stations” and no traditional retail branches. The main office is located in Arlington, Virginia. As of December 31, 2011 ETB had \$45.8 billion in total assets and Tier 1 Capital of \$3.4 billion.

ETB has four operating subsidiaries: E\*TRADE Securities, a registered broker-dealer; E\*TRADE Clearing, a registered broker-dealer engaged primarily in clearings and settlement; E\*TRADE Community Development Corporation, which conducts the investment activities; and E\*TRADE Savings Bank (ETSB). ETSB is a chartered savings bank that operates 26 branch offices throughout the country. ETB is located in the same assessment area (AA) as its affiliate, ETSB, the Washington-Arlington-Alexandria DC-VA-MD-WV MD. ETSB’s branch offices do not offer direct retail services to their customers. The operations at ETSB’s branch offices are limited to accepting ETB’s non-cash deposits; conducting sweep arrangements for excess funds of E\*TRADE Securities customers; and to assist customers with their brokerage business. Given ETSB does not accept retail deposits, ETB’s deposits (which are accepted at ETSB branch offices) were allocated to ETSB for CRA evaluation purposes. ETSB is evaluated separately under the CRA and received a “Satisfactory” rating at their last evaluation, dated August 9, 2010. There was no merger or acquisition activity during the evaluation period.

In July 2011, ETB exited the home mortgage lending business by transferring the lending activity to its affiliate ETSB. ETSB subsequently ceased its mortgage activities December 31, 2012. We are considering ETB’s home mortgage loans originated or purchased through June 30, 2011. ETB requested that we consider ETSB’s home mortgage loans originated or purchased from July 1, 2011 to December 31, 2011, the end of ETB’s CRA evaluation period. ETSB will not claim credit for these home mortgage loans.

The bank’s business strategy is not one of a traditional bank. ETB does not engage in any significant volume of lending. The lending is primarily on an accommodation basis for E\*TRADE brokerage customers. The bank offers specialized products, which are more consistent with online and broker-dealer related financial institutions. ETB offers retail products in the form of checking and savings accounts as well as Certificates of Deposit. The bank primarily markets and delivers its products via telephone or the Internet while obtaining deposits and originating loans nationally. As of December 31, 2011, mortgage loans represented approximately 25 percent of total assets with other loans representing 12 percent. ETB did not originate any small business; small farm; commercial or community development loans during the evaluation period. ETB’s primary focus is the provision of financial-related products to the investor clients of its broker-dealer affiliates.

During the evaluation period, ETB faced asset quality problems, which hindered the bank’s ability to augment capital and sustain profitability. This impeded the bank’s ability to help meet the credit needs in its AA. Further, the bank is subject to various legal proceedings and claims arising out of the normal course of business with no material adverse effect expected. We

considered these impediments in our evaluation; however, these constraints did not fully mitigate ETB's limited lending volume and did not hinder ETB's community development activities.

The last CRA evaluation, dated March 9, 2009, was performed by the Office of Thrift Supervision (OTS). The bank received a "Satisfactory" rating.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

The evaluation period is January 1, 2009 through December 31, 2011 for home mortgage loans. The market share and peer comparisons are based on the information contained in the aggregate Home Mortgage Disclosure Act (HMDA) Register for 2011, which is available for public review. During the evaluation period, ETB did not originate any home improvement loans, and originated only three multifamily loans. ETB also lacks the departments and staff expertise required for the origination of small loans to businesses, small loans to farms or community development lending. Additionally, the bank did not request our consideration of consumer loans. Therefore, Tables 3, 5, 6, 7, 9, 12, and 13 in Appendix D were eliminated.

The evaluation period for community development investments is March 10, 2009 through December 31, 2011. The evaluation period for community development services is January 1, 2009 through December 31, 2011. We based our conclusions for community development qualified investments on the number and dollar amounts made during the evaluation period. In addition, we considered the level of innovation, complexity, responsiveness to community credit needs, and the degree to which these instruments are not routinely provided by others.

### **Data Integrity**

Prior to the start of this evaluation, we tested the appropriateness of the bank's community development activities provided for consideration in our evaluation. This included the testing of community development investments and services for accuracy and to determine if they qualify as community development under the Community Reinvestment Act. We determined that there were instances where certain investments and services did not meet the community development definition. Prior to the start of this CRA evaluation, management conducted a review of all existing CRA-related investments and services and resubmitted the activities for a second review. The review found the activities met the community development definition.

Additionally, the Consumer Financial Protection Bureau noted a bank-identified systemic error affecting the HMDA Loan Application Registers for 2010 and 2011. Prior to the commencement of this evaluation, both Registers were corrected and resubmitted to the appropriate regulatory agency.

### **Selection of Areas for Full-Scope Review**

As noted above, ETB operates under a "branchless" strategy with a single location housing two limited-service "teller stations" at its headquarters in Arlington, Virginia, and no traditional retail branches. The headquarters is located within the multistate area of Washington-

Arlington-Alexandria, DC-VA-MD-WV Metropolitan Division (Washington DC MD) and this is the bank's AA. The Washington DC MD AA received a full-scope review.

## **Ratings**

The bank's overall rating is based upon its performance in the Washington DC MD AA.

## **Community Contacts**

We conducted community contacts for the AA during this evaluation to identify community development needs and opportunities within the AA. The following needs were identified: affordable housing (including rental housing and revitalizing targeted areas), economic development, small business development, and services targeted toward low- and moderate-income families including financial literacy, and foreclosure prevention programs. Other needs include additional grant assistance, affordable multifamily housing financed through tax credits, and assistance for special-needs populations. Refer to the Market Profile section in Appendix C for more information.

## **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.

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

Further, section 1025 of the Dodd–Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111-203) assigns to the Consumer Financial Protection Bureau (CFPB) exclusive examination authority, and primary enforcement authority, to ensure compliance by banks and FSAs with Federal consumer financial laws, if the bank or FSA has more than \$10 billion in assets. The CFPB has not provided the OCC with any information about, or other evidence of, discriminatory or other illegal credit practices relative to this institution with respect to the Federal consumer financial laws.

## **Description of Institution's Operations in the Assessment Area**

ETB has defined the Washington-Arlington-Alexandria DC-VA-MD-WV MD as its AA because the bank's only office is located in Arlington, Virginia. The AA includes the entire Washington-Arlington-Alexandria DC-VA-MD-WV MD. The AA encompasses the entire Washington, DC Metropolitan Statistical Area, with the exception of the Maryland Counties of Frederick and Montgomery, which are part of the Bethesda-Gaithersburg-Frederick MD. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income geographies. It is comprised of 807 contiguous census tracts with a population of slightly more than 3.7 million persons.

There is significant competition for deposits in the Washington, DC MD. According to data from the FDIC, as of June 30, 2011, there were 95 FDIC insured depository institutions with 1,761 active branches in the MD. These institutions had FDIC insured deposits totaling \$172 billion at those branches. ETB's specialized market and product offerings are more consistent with online and broker-dealer related financial institutions. As an online and broker-dealer related institution, ETB's principal peers are institutions such as Enterprise Bank, Raymond James Bank, ING Bank, and Charles Schwab Bank. These institutions have limited, if any, branch locations. One of these institutions has one office located in the area.

Refer to the market profile for the Washington-Arlington-Alexandria DC-VA-MD-WV MD in Appendix C for detailed demographics and other performance context information for assessment areas that received full-scope reviews.

## **LENDING TEST**

The bank's performance under the lending test is rated "Low Satisfactory". The bank's performance in the Washington DC MD is adequate.

### **Lending Activity**

Refer to Table 1 Lending Volume "Multistate Metropolitan Area" section of Appendix D for the facts and data used to evaluate the bank's lending activity.

Lending activity is adequate. ETB originated or purchased 99 home purchase and home refinance loans, totaling \$27.3 million, during the evaluation period. The 2011 market share data for home purchase and home refinance loans indicates there were 669 lenders in the AA and ETB had a 0.02 percent market share for home purchase and home refinancing lending. All of ETB's deposits are reported under the Arlington, Virginia office, but the significant majority of deposits are obtained nationally. Allocating ETB's deposits based on the area where the deposits were located, approximately \$172 million of ETB's deposits were located in the Washington DC MD. The bank's proportion of home purchase and home refinance lending is below the allocated deposits in the Washington DC MD. However, ETB's lending is adequate when considering the bank's financial condition, limited presence in the AA, business strategy of offering specialized products consistent with online and broker dealer related

financial institutions, branchless operations with only one office offering limited services in Arlington VA and its national focus.

## **Distribution of Loans by Income Level of the Geography**

The geographic distribution of loans reflects excellent penetration throughout the assessment area. We did not identify any conspicuous or unexplained gaps in lending patterns.

### ***Home Mortgage Loans***

Refer to Tables 2 and 4 in the “Multistate Metropolitan Area” section of Appendix D for the facts and data used to evaluate the geographic distribution of the bank’s home mortgage loan originations and purchases.

The geographic distribution of home mortgage loans is excellent. The percentage of home purchase lending in low- and moderate-income geographies exceeded the percentage of owner-occupied housing in these geographies and exceeded the performance of aggregate HMDA reporters within the AA.

The percentage of home refinance lending in low-income geographies exceeded the percentage of owner-occupied housing units in these geographies and exceeded the performance of aggregate HMDA reporters within the AA. The percentage of home refinance lending in moderate-income geographies is somewhat lower than the percentage of owner-occupied housing units in these geographies; however, the percentage of home refinance lending in moderate-income geographies exceeded the performance of aggregate HMDA reporters within the AA.

### ***Inside/Outside Ratio***

The volume of loans that the bank made inside its AA is adequate when considering the nature of the institution, its national market focus and its business strategy. The Inside/Outside Ratio includes bank originations and purchases only and does not include extensions of credit by affiliates that are being considered under other performance criteria.

## **Distribution of Loans by Income Level of the Borrower**

The distribution of loans by income level of borrower reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels.

### ***Home Mortgage Loans***

Refer to Tables 8 and 10 in the “Multistate Metropolitan Area” section of Appendix D for the facts and data used to evaluate the borrower distribution of the bank’s home mortgage loan originations and purchases.

In our analysis, we considered the affordability of housing for a low-income borrower, the impact that the economic downturn had on housing, and the household poverty level of seven percent in this AA. Based on the 2000 U.S. Census data, the median cost of housing was

\$181,737. The 2011 HUD updated median family income is \$104,300, which means a low-income family earned less than \$52,150. Therefore, homeownership is virtually impossible for most low-income borrowers.

The percentage of home purchase loans made to low-income borrowers exceeded the percentage of low-income families in the AA and exceeded the aggregate lending data. The percentage of home purchase loans made to moderate-income borrowers exceeded the percentage of moderate-income families in the AA and exceeded the aggregate lending data.

The percentage of home refinance loans made to low-income borrowers is lower than the percentage of low-income families in the AA and near to the aggregate lending data. The percentage of home refinance loans made to moderate-income borrowers is lower than the percentage of moderate-income families in the AA and the aggregate lending data.

### **Conclusions for Peer Areas Outside the AA**

Overall, the borrower distribution of loans in peer areas outside of ETB's AA compares favorably to the performance of other lenders serving these same areas. ETB's performance was excellent in the Atlanta-Sandy Springs-Marietta MSA, the Philadelphia, PA MD, and the Santa Ana-Anaheim-Irvine MD. ETB's performance was good in the Denver-Aurora-Bloomfield MSA, the Edison-New Brunswick NJ MD, the Los Angeles-Long Beach-Glendale MD, the Oakland-Fremont-Hayward CA MD, and the San Diego-Carlsbad-San Marcos MSA. ETB's performance was adequate in the Chicago-Joliet-Naperville MD and the San Jose-Sunnyvale-Santa Clara MSA. ETB's performance was poor in the Houston-Sugarland-Baytown MSA, the New York-White Plains-Wayne MD, and the San Francisco-San Mateo-Redwood City MD.

Refer to Tables 8 and 10 in the "Expanded Markets" section of Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

### **Analysis for Peer Areas Outside the AA (from selected markets)**

Section 563e.22(b)(2), (3) and (4) of the Interagency Questions and Answers regarding Community Reinvestment states that "consideration will be given for loans to low-and moderate-income persons and small business and farm loans outside of an institution's assessment area(s), provided the institution has adequately addressed the needs of borrowers within its assessment area(s)." Since we concluded that ETB had adequately addressed the needs of borrowers within its AA and only a small portion of ETB's lending occurred within its AA, the examiner analyzed loans made to borrowers of different income levels within thirteen peer area markets that are outside of the AA. The peer areas were selected because they represent a combination of the top lending and deposits in the areas outside of the bank's AA, and they are representative of ETB's activity throughout the retail market it serves.

#### Atlanta-Sandy Springs-Marietta, GA MSA

The distribution of borrowers reflects excellent penetration among retail customers of different income levels. The percentage of home purchase loans made to low-income borrowers exceeds the aggregate lending data and meets the percentage of low-income families in the

MSA. The percentage of home purchase loans made to moderate-income borrowers exceeds the aggregate lending data and the percentage of moderate-income families in the MSA.

The percentage of home refinance loans made to low-income borrowers is near to the aggregate lending data and is lower than the percentage of low-income families in the MSA. The percentage of home refinance loans made to moderate-income borrowers exceeds the aggregate lending data and meets the percentage of moderate-income families in the MSA.

#### Chicago-Naperville-Joliet, IL MD

The distribution of borrowers reflects adequate penetration among retail customers of different income levels. The percentage of home purchase loans made to low-income borrowers exceeds the aggregate lending data and the percentage of low-income families in the MD. The percentage of home purchase loans made to moderate-income borrowers exceeds the aggregate lending data and the percentage of moderate-income families in the MD.

The percentage of home refinance loans made to low-income borrowers is near to the aggregate lending data and lower than the percentage of low-income families in the MD. The percentage of home refinance loans made to moderate-income borrowers is significantly lower than the aggregate lending data and the percentage of moderate-income families in the MD.

#### Denver-Aurora-Broomfield, CO MSA

The distribution of borrowers reflects good penetration among retail customers of different income levels. The percentage of home purchase loans made to low-income borrowers is somewhat lower than the aggregate lending data and the percentage of low-income families in the MSA. The percentage of home purchase loans made to moderate-income borrowers exceeds the aggregate lending data and the percentage of moderate-income families in the MSA.

The percentage of home refinance loans made to low-income borrowers meets the aggregate lending data and is somewhat lower than the percentage of low-income families in the MSA. The percentage of home refinance loans made to moderate-income borrowers is somewhat lower than the aggregate lending data and the percentage of moderate-income families in the MSA.

#### Edison-New Brunswick NJ MD

The distribution of borrowers reflects good penetration among retail customers of different income levels. No home purchase loans were made to low-income borrowers. The percentage of home purchase loans made to moderate-income borrowers exceeds the aggregate lending data and the percentage of moderate-income families in the MD.

The percentage of home refinance loans made to low-income borrowers exceeds the aggregate lending data and is somewhat lower than the percentage of low-income families in the MD. The percentage of home refinance loans made to moderate-income borrowers exceeds the aggregate lending data and the percentage of moderate-income families in the MD.

#### Houston-Sugar Land-Baytown, TX MSA

The distribution of borrowers reflects poor penetration among retail customers of different income levels. No home purchase loans were made to low-income borrowers. The percentage of home purchase loans made to moderate-income borrowers exceeds the aggregate lending data and the percentage of moderate-income families in the MSA.

No home refinance loans were made to low- or moderate-income borrowers.

#### Los Angeles-Long Beach-Glendale, CA MD

The distribution of borrowers reflects good penetration among retail customers of different income levels. The percentage of home purchase loans made to low-income borrowers exceeds the aggregate lending data and is somewhat lower than the percentage of low-income families in the MD. The percentage of home purchase loans made to moderate-income borrowers is somewhat lower than the aggregate lending data and the percentage of moderate-income families in the MD.

No home refinance loans were made to low-income borrowers. The percentage of home refinance loans made to moderate-income borrowers exceeds the aggregate lending data and is near to the percentage of moderate-income families in the MD.

#### New York-Wayne-White Plains, NY-NJ-MD

The distribution of borrowers reflects poor penetration among retail customers of different income levels. No home purchase loans were made to low-income borrowers. The percentage of home purchase loans made to moderate-income borrowers exceeds the aggregate lending data and the percentage of moderate-income families in the MD.

No home refinance loans were made to low-income borrowers. The percentage of home refinance loans made to moderate-income borrowers is lower than the aggregate lending data and is significantly lower than the percentage of moderate-income families in the MD.

#### Oakland-Fremont-Hayward CA MD

The distribution of borrowers reflects good penetration among retail customers of different income levels. The percentage of home purchase loans made to low-income borrowers exceeds the aggregate lending data and the percentage of low-income families in the MD. The percentage of home purchase loans made to moderate-income borrowers exceeds the aggregate lending data and the percentage of moderate-income families in the MD.

No home refinance loans were made to low-income borrowers. The percentage of home refinance loans made to moderate-income borrowers meets the aggregate lending data and is lower than the percentage of moderate-income families in the MD.

#### Philadelphia, PA MD

The distribution of borrowers reflects excellent penetration among retail customers of different income levels. The percentage of home purchase loans made to low-income borrowers exceeds the aggregate lending data and the percentage of low-income families in the MD. The percentage of home purchase loans made to moderate-income borrowers exceeds the aggregate lending data and the percentage of moderate-income families in the MD.

The percentage of home refinance loans made to low-income borrowers is somewhat lower than the aggregate lending data and significantly lower than the percentage of low-income families in the MD. The percentage of home refinance loans made to moderate-income borrowers exceeds the aggregate lending data and the percentage of moderate-income families in the MD.

#### San Diego-Carlsbad-San Marcos, CA MSA

The distribution of borrowers reflects good penetration among retail customers of different income levels. The percentage of home purchase loans made to low-income borrowers exceeds the aggregate lending data and is near to the percentage of low-income families in the MSA. The percentage of home purchase loans made to moderate-income borrowers is near to the aggregate lending data and somewhat lower than the percentage of moderate-income families in the MSA.

The percentage of home refinance loans made to low-income borrowers is near to the aggregate lending data and is significantly lower than the percentage of low-income families in the MSA. The percentage of home refinance loans made to moderate-income borrowers meets the aggregate lending data and is lower than the percentage of moderate-income families in the MSA.

#### San Francisco-San Mateo-Redwood City, CA MD

The distribution of borrowers reflects poor penetration among retail customers of different income levels. There were only three home purchase loans in this area; therefore, an analysis would not be meaningful and was not performed.

No home refinance loans were made to low-income borrowers. The percentage of home refinance loans made to moderate-income borrowers is lower than the aggregate lending data and the percentage of moderate-income families in the MD.

#### San Jose-Sunnyvale-Santa Clara, CA MSA

The distribution of borrowers reflects adequate penetration among retail customers of different income levels. No home purchase loans were made to low-income borrowers. The percentage of home purchase loans made to moderate-income borrowers exceeds the aggregate lending data and the percentage of moderate-income families in the MSA.

No home refinance loans were made to low-income borrowers. The percentage of home refinance loans made to moderate-income borrowers is somewhat lower than the aggregate lending data and lower than the percentage of moderate-income families in the MSA.

#### Santa Ana-Anaheim-Irvine, CA MD

The distribution of borrowers reflects excellent penetration among retail customers of different income levels. The percentage of home purchase loans made to low-income borrowers exceeds the aggregate lending data and meets the percentage of low-income families in the MD. The percentage of home purchase loans made to moderate-income borrowers exceeds the aggregate lending data and the percentage of moderate-income families in the MD.

The percentage of home refinance loans made to low-income borrowers exceeds the aggregate lending data and is somewhat lower than the percentage of low-income families in the MD. The percentage of home refinance loans made to moderate-income borrowers is

somewhat lower than the aggregate lending data and lower than the percentage of moderate-income families in the MD.

### **Community Development Lending**

The bank did not originate or purchase community development loans during the evaluation period.

### **Product Innovation and Flexibility**

The bank did not originate loans that were innovative and flexible during the evaluation period.

## **INVESTMENT TEST**

The bank's performance under the Investment Test is rated "Low Satisfactory". The bank's performance under the investment test in Washington DC MD is adequate.

Refer to Table 14 in the "Multistate Metropolitan Area" section of Appendix D for the facts and data used to evaluate the bank's level of qualified investments.

During the evaluation period, ETB originated 22 investments in the Washington, DC MD totaling \$76 million. In addition, we considered the ongoing impact of investments made prior to the current evaluation period had within the AA. The remaining balance of 10 prior period investments as of December 31, 2011 was approximately \$18 million.

The main investments in the AA consisted primarily of the funding of three multifamily mortgage backed securities FNMA Bonds, which will provide the area 834 units of affordable rental housing. Ninety-four percent of the units are available only to households with incomes at or below 60 percent of the area median income. The other investments were to various qualified community development organizations that promoted economic development and provided affordable housing and community services to low- and moderate-income individuals in the AA.

## **SERVICE TEST**

The bank's performance under the service test is rated "High Satisfactory". The bank's performance in the Washington DC MD is good.

We gave limited consideration to the bank's retail banking services because ETB operates under a "branchless" strategy. We gave primary consideration to the bank's CD services because the bank's business model is not inconsistent with the provision of CD services.

## **Retail Banking Services**

Refer to Table 15 in the “Multistate Metropolitan Area(s)” section of Appendix D for the facts and data used to evaluate the distribution of the bank’s branch delivery system and branch openings and closings.

Delivery systems are unreasonably inaccessible to geographies and individuals of different income levels. ETB continues to operate under a “branchless” strategy with a single location housing two limited-service “teller stations” at its headquarters in Arlington, Virginia. There are no traditional retail branches. The bank headquarters is located in an upper-income geography with teller station availability Monday through Friday from 8 a.m. to 2 p.m., with extended Friday hours until 4 p.m. No branches were opened or closed within the evaluation period.

ETB’s alternative delivery systems, including ATMs, online and telephone banking, provide additional delivery system availability and access. The bank operates a call center, which is open seven days a week, allowing both online and telephone banking availability 24-hours a day. Telephone services allow for stop payments; change of address requests; check and card orders, and account research. Online access allows the customers to conduct account transfers, account inquiries, obtain check images, effect bill payments, obtain statements and disclosures and account opening applications. ETB has two deposit-taking ATMs located in an upper-income geography at their Arlington headquarters. These ATM’s allow customers to obtain deposit and loan account information, make deposits and withdrawals, or transfer funds. Since ETB did not provide specific information on how low- and moderate-income geographies and individuals have benefited, alternative delivery systems did not receive significant weight.

## **Community Development Services**

There is an excellent level of community development services provided in the assessment area. Through their involvement on the boards and committees of affordable housing and community service organizations; the delivery of financial literacy seminars and credit counseling; and the provision of other financial services, bank employees are highly responsive to the community development needs of the AA. As noted earlier, ETB is a single branch institution that engages in very limited traditional retail operations. As such, ETB has a limited number of employees. Considering the bank business model and consequent staffing levels, the level of community development services is considered excellent. Management and employees provided a total of 1,925 hours for community development services that benefited numerous organizations and low- and moderate-income individuals within the AA. This figure represents an increase of approximately 150 percent over the prior period

The bank strives to develop and maintain partnerships with the organizations. The majority of the service activities are provided in conjunction with their grants. These organizations work to meet the needs of the community through their focus on providing affordable housing, conducting consumer education for financial management and homebuyer counseling, creating and expanding small businesses, and providing community development services to low- and moderate-income families and individuals. The following are examples of significant community development services:

- A Vice President served on the board of directors of a nonprofit organization based in Washington DC. The organization provides financial literacy programs; programs in home buyer assistance; small business and entrepreneurship assistance; and credit counseling. The manager and other employees provided over 430 hours of service and assisted with evaluating the organization's needs assessment including grant funding.
- A Vice President of the bank served on the board of directors of a nonprofit organization based in Northern Virginia. The organization is focused on the development of affordable housing opportunities for low- and moderate-income individuals. Bank management and employees provided over 300 hours of service during the evaluation period.
- An Executive Vice President served on the board of directors of a nonprofit organization focusing on services targeted to low- and moderate-income youth. The organization provides programs on financial literacy; personal development; and on-line career counseling via mentorship. Bank management and employees provided approximately 140 hours of service during the evaluation period.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were 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”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): 01/01/2009 to 12/31/2011 Investment Test: 03/10/2009 through 12/31/2011 Service Test: 01/01/2009 to 12/31/2011	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
E*TRADE Bank (ETB) Arlington, VA	Home mortgage loans, Community Development investments, grants and services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
E*TRADE Savings Bank (ETSB)	Subsidiary	Home mortgage loans
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Washington-Arlington-Alexandria DC-VA-MD- WV MD #47894	Full-Scope	NA

## Appendix C: Market Profiles for Full-Scope Areas

### Washington-Arlington-Alexandria DC VA MD WV Multistate Metropolitan Division (Washington DC MD)

Demographic Information for Full-Scope Area: Washington DC MD						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	807	8.80	24.91	37.17	28.13	0.99
Population by Geography	3,727,565	5.92	23.50	40.21	30.23	0.15
Owner-Occupied Housing by Geography	871,028	2.09	17.03	43.79	37.08	0.00
Businesses by Geography	328,714	4.49	16.05	38.65	39.04	1.76
Farms by Geography	5,046	1.07	14.86	50.24	33.69	0.14
Family Distribution by Income Level	918,751	20.20	17.82	22.23	39.74	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	349,353	11.24	36.34	38.69	13.73	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below the Poverty Level	= \$71,100 = \$104,300 = 7.0%	Median Housing Value Unemployment Rate				\$325,400 5.5 %

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

Source: 2000 U.S. Census, 2011 HUD updated MFI, and Median Housing value as of 12/31/2011 from US Realtors Assn. Updated unemployment rate, as of 12/31/2011, from the Bureau of Labor Statistics.

The Washington, DC MD consists of the District of Columbia, one county in West Virginia, three counties in Maryland, and 15 counties in Virginia.

There is significant competition for deposits in the Washington, DC MD. According to data from the FDIC, as of June 30, 2011, there were 95 FDIC insured depository institutions with 1,761 active branches in the MD. ETB's specialized market and product offerings are more consistent with on-line and broker-dealer related financial institutions and ETB would not be considered a significant competitor in the market. ETB's principal peers would be institutions such as Ameriprise Bank, Raymond James Bank, ING Bank, and Charles Schwab Bank. These institutions have limited, if any, branch locations. One of these institutions has a location in the AA.

Approximately 30 percent of the families in the AA are low- or moderate-income. The 2000 census median family income is \$71,100, and the 2011 HUD updated median family income is \$104,300. Based on the 2011 HUD adjusted median income, a low-income family earns less than \$52,150 and a moderate-income family earns less than \$83,440. Additionally, approximately seven percent of the population in the AA subsists at an income below the poverty level. There are significant disparities in the income levels of the various counties within the Washington, DC MD AA.

In the Washington, DC MD AA, approximately 59 percent of housing is owner-occupied. Thirty-six percent is rental property, and the vacancy rate in the AA is five percent. Of the owner-occupied housing units, only approximately 19 percent are located within low- or moderate-income geographies.

The cost of living, including housing, is high in the area. Housing prices dropped in response to the recent economic crisis, but have rebounded faster within this AA than in other major cities throughout the country. The median single-family housing value for the AA as of December 31, 2011 was approximately \$325 thousand, up five and one-half percent from approximately \$308 thousand in December 2009. The market has traditionally focused on single-family homes, which has increased constraints on land and driven up land prices, thereby limiting affordable housing opportunities for low- and moderate-income people. Therefore, achieving home ownership for low- and moderate-income populations continues to be difficult.

The economy in the AA is diversified and generally stable. Key sectors driving the economy are the federal government, technology, construction, international business, and leisure/hospitality. The national recession impacted the local economy with increased unemployment in private sector jobs. The decline in private sector jobs had a negative effect on consumer confidence, resulting in a decline in retail trade and leisure/hospitality employment. The impact of the recession was moderated by increased employment in the federal government and increased government spending. The unemployment rate actually fell in the Washington DC MD from 6.2 percent as of September 2009 to 5.5 percent as of December 31, 2011 per the Bureau of Labor Statistics. The national unemployment rate as of the same date was 8.5 percent. The largest employers include the federal government (civilian and military), Lockheed Martin, Corporation, Northrup Grumman, and SAIC.

Based on OCC community contacts made and reviewed, there are opportunities for banks to provide community development lending, services, and investments. Through contact with community groups and discussion with bank management, the following needs were identified: affordable housing (including rental housing and revitalizing targeted areas), economic development, small business development, and services targeted toward low- and moderate-income families including financial literacy, and foreclosure prevention programs. Other needs include additional grant assistance, affordable multifamily housing financed through tax credits, and assistance for special-needs populations.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan areas are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

**Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

**Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank, if applicable, over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.

**Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

**Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.

**Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-,

moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

**Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

**Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

**Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.

**Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.

**Table 10. Borrower Distribution of Refinance Loans** - See Table 8.

**Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.

**Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

**MULTISTATE METROPOLITAN AREA**

**Table 1. Lending Volume**

LENDING VOLUME		Geography: Washington DC MD						Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011				
Assessment Area (2011):	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans **		Total Reported Loans		% of Rated Area Deposits in MA/AA ***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
Washington DC MD	100.00	102	27,803	0	0	0	0	0	0	102	27,803	100.00

\* Loan Data as of December 31, 2011. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is from January 01, 2012 to December 31, 2012.

\*\*\* Deposit Data as of December 31, 2011. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**MULTISTATE METROPOLITAN AREA**

**Table 2a. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE		Geography: Washington DC MD						Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011						
Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
<b>Full Review:</b>														
Washington DC MD	29	100.00	2.09	6.90	17.03	34.48	43.79	34.48	37.08	24.14	2.74	15.88	43.07	38.31

\* Based on 2011 Peer Mortgage Data (USPR)

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**MULTISTATE METROPOLITAN AREA**

**Table 4a. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: Washington DC MD				Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011							
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income			
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
<b>Full Review:</b>														
Washington DC MD	70	100.00	2.09	4.29	17.03	14.29	43.79	22.86	37.08	58.57	2.09	10.77	35.79	51.35

\* Based on 2011 Peer Mortgage Data (USPR)

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**MULTISTATE METROPOLITAN AREA**

**Table 8a. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE		Geography: Washington DC MD					Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011							
Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data			
	#	% of Total**	% Families***	% BANK Loans****	% Families <sup>1</sup>	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Low	Mod	Mid	Upp
<b>Full Review:</b>														
Washington DC MD	29	100.00	20.20	28.57	17.82	42.86	22.23	17.86	39.74	10.71	14.68	24.00	26.15	35.17

\* Based on 2011 Peer Mortgage Data (USPR)

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 3.4% of loans originated and purchased by BANK.

<sup>1</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

## MULTISTATE METROPOLITAN AREA

**Table 10a. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography: Washington DC MD						Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011						
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data			
	#	% of Total**	% Families***	% BANK Loans****	% Families <sub>2</sub>	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Low	Mod	Mid	Upp
<b>Full Review:</b>														
Washington DC MD	70	100.0 0	20.20	5.97	17.82	8.96	22.23	29.85	39.74	55.22	6.43	14.79	25.67	53.11

\* Based on 2011 Peer Mortgage Data (USPR)

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 4.3% of loans originated and purchased by BANK.

2 Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**MULTISTATE METROPOLITAN AREA**

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: Washington DC MD				Evaluation Period: MARCH 10, 2009 TO DECEMBER 31, 2011			
Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Washington DC MD	10	18,078	22	76,155	32	94,233	100	N/A	N/A

\* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

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

## MULTISTATE METROPOLITAN AREA

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS    Geography: Washington DC MD <b>Evaluation Period:</b> JANUARY 1, 2009 TO DECEMBER 31, 2011																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography <sup>3</sup>			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Washington DC MD	100.00	1	100.00	0.00	0.00	0.00	100.00	0	0	0	0	0	0	5.92	23.50	40.21	30.23

<sup>3</sup> Within the AA, 0.15% of the population resides within a geography that does not have an income designation.

## EXPANDED MARKETS

**Table 1. Lending Volume**

LENDING VOLUME												
Geography: Expanded Markets												
Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011												
Assessment Area (2011):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Expanded Markets:</b>												
Atlanta SandySprings Marietta GA MSA	5.61	33	5,679	0	0	0	0	0	0	33	5,679	4.37
Chicago Joliet Naperville IL MD	7.82	46	9,027	0	0	0	0	0	0	46	9,027	7.75
Denver Aurora Bloomfield MSA	9.01	53	12,411	0	0	0	0	0	0	53	12,411	3.20
Edison New Brunswick NJ MD	6.80	40	8,455	0	0	0	0	0	0	40	8,455	4.02
Houston Sugarland Baytown TX MSA	5.95	35	5,598	0	0	0	0	0	0	35	5,598	5.57
Los Angeles Long Beach Glendale CA MD	12.93	76	23,843	0	0	0	0	0	0	76	23,843	8.52
New York White Plains Wayne NY NJ MD	10.03	59	18,541	0	0	0	0	0	0	59	18,541	13.83
Oakland Fremont Hayward CA MD	7.48	44	13,191	0	0	0	0	0	0	44	13,191	8.26
Philadelphia PA MD	8.16	48	9,366	0	0	0	0	0	0	48	9,366	4.00
San Diego Carlsbad San Marcos CA MSA	8.50	50	13,273	0	0	0	0	0	0	50	13,273	6.25
San Francisco San Mateo Redwood City CA MD	3.91	23	9,167	0	0	0	0	0	0	23	9,167	11.34
San Jose Sunnyvale Santa Clara CA MSA	5.44	32	12,373	0	0	0	0	0	0	32	12,373	18.44
Santa Ana Anaheim Irvine CA MD	8.33	49	15,568	0	0	0	0	0	0	49	15,568	4.44

\* Loan Data as of December 31, 2011. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is from January 01, 2012 to December 31, 2012.

\*\*\* Deposit Data as of June 30, 2011. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**EXPANDED MARKETS**

**Table 8a. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE		Geography: E*Trade Expanded Markets								Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011				
Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data			
	#	% of Total**	% Families***	% BANK Loans****	% Families <sup>4</sup>	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Low	Mod	Mid	Upp
<b>Expanded Markets:</b>														
Atlanta SandySprings Marietta GA MSA	8	5.48	20.00	20.00	18.13	40.00	22.32	20.00	39.56	20.00	17.85	25.58	20.66	35.92
Chicago Joliet Naperville IL MD	12	8.22	20.85	30.00	17.60	30.00	22.09	0.00	39.45	40.00	11.87	24.72	24.16	39.25
Denver Aurora Bloomfield MSA	18	12.33	18.01	7.14	18.65	42.86	23.68	7.14	39.66	42.86	14.48	24.69	23.69	37.14
Edison New Brunswick NJ MD	6	4.11	19.11	0.00	18.58	50.00	22.73	16.67	39.58	33.33	9.40	25.71	25.48	39.41
Houston Sugarland Baytown TX MSA	22	15.07	22.61	0.00	17.36	31.58	18.97	10.53	41.06	57.89	5.54	19.61	22.36	52.49
Los Angeles Long Beach Glendale CA MD	17	11.64	23.87	12.50	16.49	12.50	17.40	18.75	42.24	56.25	3.23	16.23	26.91	53.63
New York White Plains Wayne NY NJ MD	16	10.96	25.76	0.00	15.40	20.00	16.77	20.00	42.07	60.00	0.89	7.79	22.43	68.88
Oakland Fremont Hayward CA MD	8	5.48	20.97	37.50	17.47	25.00	21.18	0.00	40.38	37.50	11.43	21.72	23.78	43.07
Philadelphia PA MD	15	10.27	22.16	33.33	17.16	50.00	20.53	0.00	40.14	16.67	11.94	23.73	24.05	40.28
San Diego Carlsbad San Marcos CA MSA	8	5.48	21.02	14.29	17.91	14.29	20.09	14.29	40.98	57.14	3.82	16.69	26.42	53.08
San Francisco San Mateo Redwood City CA MD	3	2.05	21.33	0.00	17.59	33.33	19.98	0.00	41.11	66.67	4.06	13.85	20.21	61.88
San Jose Sunnyvale Santa Clara CA MSA	8	5.48	20.54	0.00	18.11	50.00	21.70	37.50	39.66	12.50	6.01	17.85	25.82	50.31
Santa Ana Anaheim Irvine CA MD	5	3.42	20.69	20.00	17.97	20.00	20.68	20.00	40.65	40.00	4.23	18.11	25.76	51.90

\* Based on 2011 Peer Mortgage Data (USPR)

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 12.3% of loans originated and purchased by BANK.

4 Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**EXPANDED MARKETS**

**Table 10a. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE														Geography: Expanded Markets		Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011	
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data						
	#	% of Total**	% Families***	% BANK Loans****	% Families <sub>5</sub>	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Low	Mod	Mid	Upp			
<b>Expanded Markets:</b>																	
Atlanta SandySprings Marietta GA MSA	23	5.48	20.00	4.55	18.13	18.18	22.32	18.18	39.56	59.09	6.70	13.53	20.16	59.61			
Chicago Joliet Naperville IL MD	30	7.14	20.85	3.33	17.60	3.33	22.09	23.33	39.45	70.00	5.99	13.29	22.62	58.10			
Denver Aurora Bloomfield MSA	32	7.62	18.01	6.25	18.65	12.50	23.68	18.75	39.66	62.50	7.37	16.56	24.46	51.61			
Edison New Brunswick NJ MD	33	7.86	19.11	9.09	18.58	24.24	22.73	27.27	39.58	39.39	5.79	17.21	26.29	50.71			
Houston Sugarland Baytown TX MSA	13	3.10	22.61	0.00	17.36	0.00	18.97	7.69	41.06	92.31	2.59	9.16	17.41	70.84			
Los Angeles Long Beach Glendale CA MD	58	13.81	23.87	0.00	16.49	14.04	17.40	12.28	42.24	73.68	3.60	8.92	16.50	70.99			
New York White Plains Wayne NY NJ MD	39	9.29	25.76	0.00	15.40	2.56	16.77	15.38	42.07	82.05	1.75	5.92	15.73	76.59			
Oakland Fremont Hayward CA MD	36	8.57	20.97	0.00	17.47	11.11	21.18	19.44	40.38	69.44	5.01	11.71	21.38	61.91			
Philadelphia PA MD	33	7.86	22.16	3.03	17.16	18.18	20.53	12.12	40.14	66.67	5.75	15.34	23.14	55.78			
San Diego Carlsbad San Marcos CA MSA	41	9.76	21.02	2.44	17.91	9.76	20.09	12.20	40.98	75.61	4.37	10.12	19.46	66.06			
San Francisco San Mateo Redwood City CA MD	18	4.29	21.33	0.00	17.59	5.88	19.98	5.88	41.11	88.24	5.01	12.26	19.70	63.03			

\* Based on 2011 Peer Mortgage Data (USPR)

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 1.7% of loans originated and purchased by BANK.

5 Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

San Jose Sunnyvale Santa Clara CA MSA	24	5.71	20.54	0.00	18.11	8.70	21.70	21.74	39.66	69.57	4.34	10.49	21.95	63.22
Santa Ana Anaheim Irvine CA MD	40	9.52	20.69	8.11	17.97	8.11	20.68	21.62	40.65	62.16	4.71	11.95	23.04	60.30