



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

December 03, 2012

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Carver Federal Savings Bank  
Charter Number: 705273

75 West 125<sup>th</sup> Street  
New York, NY 10027-4512

Office of the Comptroller of the Currency

New York Metro Field Office  
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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

**INSTITUTION'S CRA RATING: This institution is rated Outstanding.**

**The Lending Test is rated: Outstanding.**

**The Community Development Test is rated: Outstanding.**

- The loan-to-deposit ratio for Carver Federal Savings Bank ("CFSB") is more than reasonable given the Bank's size and financial condition, credit needs of the assessment area, and in comparison to other local Banks.
- A substantial majority of both the number and dollar of loan amounts are made within the assessment area ("AA").
- The distribution of lending to borrowers of different incomes and to businesses of different sizes is excellent.
- The Bank's geographic distribution of loans in the New York AA is excellent.
- The Bank received no Community Reinvestment Act ("CRA") related complaints.
- The Bank has demonstrated an excellent responsiveness to the community development needs of the AA based on the AA needs and performance context for the institution.

The OCC revised its original analysis of Carver's lending based on the corrected family and household income data provided by WKFS. This updated analysis did not result in a change to Carver's Lending Test rating, and did not result in a change to Carver's Overall CRA rating.

## **Scope of Examination**

CFSB was evaluated under the Intermediate Small Bank examination procedures, which includes a lending test and a community development ("CD") test. The lending test evaluates the Bank's record of meeting the credit needs of its AA through its lending activities. These lending activities consisted of 1-4 family purchase, refinance, home improvement, and multi-family loans. The CD test evaluates the Bank's responsiveness to CD needs in its AA through lending, investments, and services.

The lending test for CFSB covers its performance from January 1, 2010 to September 30, 2012. The evaluation period for the CD test is from February 3, 2009 to December 3, 2012. The most recent CRA examination was completed as of February 2, 2009.

CFSB's primary loan products are business and home loans. However, the Bank has suspended internal underwriting of residential mortgages and offers residential mortgage loans through a third party partner. Since the credit decision is not made by CFSB, these loans were not reported for Home Mortgage Disclosure Act ("HMDA") purposes. For loans originated by CFSB, the Bank reports data under the requirements of the HMDA. The HMDA data was tested and found to be reliable.

The OCC utilizes the Wolters Kluwer Financial Services (WKFS) CRA Wiz software to support its analysis of an institution's lending performance. In April 2013, WKFS

identified incorrect values, based on the 2010 census data, within CRA Wiz. Specifically, WKFS determined that the demographic distribution data for family and household income had been incorrectly calculated. This, in turn, caused the number and proportion of families and households in each of the four CRA income categories to be incorrectly calculated, which affected the OCC's analysis of residential and consumer loans that were originated and/or purchased by institutions during 2012 and 2013. The CRA Performance Evaluation (CRA PE) of Carver dated December 3, 2012 included the OCC's analysis of residential loans that were originated or purchased in 2012. In May 2013, WKFS provided corrected demographic data to the OCC, which subsequently has been validated. The CRA PE was originally finalized and issued on April 1, 2013, prior to the OCC learning of the data errors in CRA Wiz. Accordingly, after securing corrected demographic data from WKFS, the OCC re-analyzed Carver's CRA performance. The OCC is issuing this amended CRA PE as of September 30, 2013 based on the corrected demographic data supplied by WKFS.

## **Description of Institution**

CFSB is a community oriented, stock institution headquartered in New York County in the city of New York. Carver was originally founded in 1948 as a minority-owned thrift to address the financial credit needs of an underserved African-American and Caribbean-American community, particularly in low- and moderate-income areas. As a result of its mission, the institution maintains a strong presence in these historically underserved communities in its AA.

The institution operates 10 full-service branch operations and 15 Banking centers. Carver maintains its headquarters, commercial lending offices, community development center, administrative offices, financial literacy center, and four branches in New York County (Manhattan); four branches in Kings County (Brooklyn); and two branches in Queens County. During our assessment period, two branches were opened in Manhattan and Brooklyn; one branch was relocated to Brooklyn; however, two were closed based on market and business decisions. Account activity was transferred to nearby branch locations, and customers were not negatively impacted. Of the 15 banking centers and/or stand-alone Automated Teller Machines ("ATMs"), six are located in Manhattan, six in Brooklyn and three in Queens. Banking facilities are located in or adjacent to low- and moderate-income geographies and provide needed banking services to the local communities. Branches are accessible and are open for hours tailored to the needs of the community.

The institution offers a variety of credit and banking services to its community. Loans are available for the purchase, refinance, home improvement, and construction of residential properties, multi-family residential properties, and commercial properties. In addition, the institution offers a full range of traditional deposit services. Carver strives to meet the CD needs of low- and moderate-income families in its AA through construction and permanent financing to not-for-profit community based organizations, and CD corporations.

The institution formed Carver Community Development Corporation (“CCDC”), which was certified as a Community Development Entity (“CDE”) engaged in activities that qualified for the New Market Tax Credit (“NMTC”) Program. Carver works closely with community groups to identify affordable-housing needs in its AA and to provide the necessary funding to satisfy these needs. The institution also provides CD grants to qualified organizations. Members of management are contributing members to CD organizations.

The Bank’s main competitors include financial service institutions such as savings and loan associations, finance companies, other national banks, and credit unions. The Bank faces intense competition in the New York AA. The FDIC’s Deposit Market Share Report as of June 30, 2012 shows CFSB has about 0.04 percent of deposits within their Metropolitan Statistical Area (“MSA”).

As of September 30, 2012, CFSB reported total assets of \$638 million. Assets are centered primarily in loans (\$390 million or 56 percent) and investment securities (\$217 million or 34 percent). Commercial loans total \$370 million and account for 90 percent of real estate loans, mainly composed of commercial real estate and 1-4 family residential loans. The investment portfolio consists of \$88 million or 71 percent of investments in U.S. Treasury and Agency securities and all other securities total \$36 million or 29 percent of investments. In addition, CFSB has \$93 million or 14.5 percent of total assets in interest-bearing Bank balances.

As of September 30, 2012, total deposits reported were approximately \$514 million. This comprised of \$190 million or 37 percent in time deposits at or below the insurance limit, \$113 million or 22 percent money market deposits, \$101 million or 20 percent in other savings deposits, \$86 million or 17 percent in demand deposits, and \$20 million or 4 percent in time deposits above the insurance limit. Tier 1 Capital was \$63 million.

CFSB is not subject to any financial, legal, or regulatory restrictions that could obstruct its ability to help meet the credit needs of its AA. The Bank was rated Outstanding at its last CRA examination dated February 2, 2009.

## **Description of Assessment Area**

CFSB’s AA consists of four counties in the New York-White Plains-Wayne, NY-NJ Metropolitan Division #35644: New York, Kings, Queens, and the Bronx. This designation, based on branch locations, and market penetration of loans and deposits in the surrounding towns, is contiguous in nature.

The strongest industries in New York City are education and health care services; trade, transportation and utilities; and professional and business services. The economic growth in New York City is currently being driven by lower-paid sectors such as retail trade, education and health services, leisure, and hospitality. Nine of the twenty top employers in New York City are in the healthcare sector and account for over 120,000 jobs. The presence of large hospitals and healthcare systems provides some stability to

the NY metropolitan area. The unemployment rate in New York City was 8.7 percent in October 2012 while the national average was 7.9 percent.

The New York AA consists of 2,107 census tracts (“CTs”) per 2011 Census data. Of this total number, 323 CTs are low-income, 602 CTs are moderate-income, 634 CTs are middle-income, 492 CTs are upper-income, and 56 CTs are not categorized. The total number of people living in the AA was 7.6 million; 17.7 percent or 1.3 million live in low-income tracts; 32.7 percent or 2.5 million live in moderate-income tracts; 27.3 percent or 2.1 million live in middle-income tracts; 22 percent or 1.7 million live in upper-income tracts. The median income for the assessment area in 2000 was \$47,088. As of 2011, the HUD median income for this AA was \$67,400.

According to the 2000 Census data, the assessment area had over 3 million housing units. The majority of the units, 30 percent, were located in the moderate-income tract, 27.7 percent were in upper-income tracts, 26.8 percent were in middle-income tracts, and 15 percent were located in low-income tracts. Out of the 469,015 units in low-income tracts, 20 percent were occupied by renters; 3.7 percent were owner-occupied, while 17.5 percent were vacant. Approximately 34 percent of the units in moderate-income tracts were rented; 19 percent were owner occupied, while 29 percent were noted to be vacant.

Based on 2011 Business Demographic Data, there are a total of 721,069 established businesses and farms in the New York AA. Of the total number of businesses operating in 2011, approximately 65 percent reported revenues of less than \$1 million. This revenue category, when further segregated into less than \$500,000 and \$500,000 to \$1 million, reflects that a significant portion of the revenues (61 percent) were earned by businesses in the less than \$500,000 category. Businesses exceeding \$1 million in revenues accounted for 4 percent of the businesses. Over 31 percent of the businesses did not report any revenues in 2011 as would be expected of new start-up businesses in the AA during the year.

Businesses in the New York AA tend to be very small in nature. About 59 percent of the businesses have an employee base of one to four persons. Local businesses are primarily service-oriented in mission and are single location entities.

Based on community contacts, the common theme among the concerns facing low-or moderate-income (“LMI”) individuals in New York City are related to affordable housing, affordable health care, after school programs as well as assistance with job placement.

## **Conclusions with Respect to Performance Criteria**

### **LENDING TEST**

CFSB’s lending test rating is outstanding. This is based primarily on a few factors, including: the Bank’s more than reasonable loan-to-deposit ratio, the majority of the

Bank’s newly originated and acquired loans are in the AA, and a substantial majority of the Bank’s primary loan types were made to individuals and businesses in the AA.

We found the Bank’s borrower distribution and geographic distribution to be excellent. Although the Bank’s home loan borrower distribution is satisfactory, it should be noted the results exclude a large number of multi-family loans for which income levels are not required to be reported.

**Loan-to-Deposit Ratio**

CFSB’s quarterly average loan-to-deposit ratio is more than reasonable and meets the standard for outstanding performance. Since the prior CRA exam, the Bank’s average loan-to-deposit ratio was 103.18 percent. From the first quarter of 2009 through the third quarter of 2012, the Bank’s loan-to-deposit ratio fluctuated from a low of 79.22 percent to a high of 117.70 percent.

The quarterly average loan-to-deposit ratio for CFSB is favorable compared to other local financial institutions of similar size, location, and product offerings. We compared CFSB’s loan-to-deposit ratio with nine comparable Banks within the area. The average loan-to-deposit ratio for the peer Banks was 85.20 percent, ranging from a low of 61.52 percent to a high of 119.79 percent.

**Lending in Assessment Area**

A substantial majority of CFSB’s primary loan products were made inside the Bank’s AA. The following table details the Bank’s lending within the AA by number and dollar amount of loans. Seventy-eight percent of the number of loans originated in these primary loan products were made within the AA which represents \$17.1 million.

<b>Table 1 - Lending in New York AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	1	100%	0	0.0%	1	\$579	100%	0	0.0%	\$579
Multi-family	9	100%	0	0.0%	9	\$10,068	100%	0	0.0%	\$10,068
Business	18	69%	8	31%	26	\$6,423	71%	\$2,589	29%	\$9,013
Totals	28	78%	8	22%	36	\$17,070	87%	\$2,589	13%	\$19,660

*Source: HMDA data for 2010-YTD 2012 and sampled business loan data 2010-YTD 2012.*

**Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

The distribution of loans reflects excellent penetration based on the lending needs of the AA. The distribution of home loans to borrowers in the AA is satisfactory. However, results exclude a large number of multi-family loans for which revenue levels are not reported. The distribution of small business loans in the AA is excellent.

*Home Loans*

The distribution of home loans to borrowers reflects satisfactory lending penetration for borrowers of varying income levels. An identified need within the AA is affordable housing. Taking into account that in 2010 and 2011, 31.77 percent of the AA is low-income and 16.99 percent is moderate-income; and in 2012, 30.83 percent of the AA is low-income and 17.24 percent is moderate-income, lending to low- and moderate-income borrowers is below the demographic comparators. This excludes loans to moderate-income borrowers in 2012, however that only represents one loan. There was less emphasis placed on this test as results exclude a large number of multi-family loans for which income levels are not reported. Refer to the table below for the distribution of home loan products among borrowers of different income levels for the period of January 1, 2010 through September 30, 2012 as compared to the percent of families in each income category.

<b>Table 2A - Borrower Distribution of Residential Real Estate Loans in New York AA 2010 Census</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	30.83%	0.0%	17.24%	100%*	16.61%	0.0%	35.33%	0.0%

Source: HMDA data for YTD 2012; 2010 U.S. Census data.

\* Represents one loan.

<b>Table 2B - Borrower Distribution of Residential Real Estate Loans in New York AA 2000 Census Data</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	31.77%	0.0%	16.99%	0.0%	16.98%	0.0%	34.26%	0.0%

Source: HMDA data for 2010- 2011; 2000 U.S. Census data.

*Business Loans*

Based on 2011 Business Demographic Data, 64.5 percent or 465,212 of all businesses located in the AA were considered small businesses. Small businesses are defined as entities that generate revenues of \$1 million or less. Approximately 4.1 percent or 29,918 of businesses reported revenues exceeding \$1 million. The remaining 31.4 percent did not report revenues. In comparison, the Bank's ratio exceeds the small business percentages related to the volume and dollar amount. Table 4 illustrates the percentage of loans to small businesses with revenues within the AA.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown
% of AA Businesses	64.5%	4.1%	31.4%
% of Bank Loans in AA by #	69.2%	0.0%	0.0%
% of Bank Loans in AA by \$	71.3%	0.0%	0.0%

*Source: 2011 Business Demographic Data; Bank generated reports for loans originated or purchased between January 1, 2010 and YTD 2012.*

The Bank's performance reflects excellent penetration to small businesses within the AA. Eighteen of the 26 total small business loans originated during the evaluation period were inside the assessment area, which totaled \$6.4 million. Approximately 50 percent of the Bank's small business loans were made to businesses with less than \$200 thousand in annual revenues. Furthermore, 50 percent of all small business loans were made in the amount of \$100 thousand or less. The average loan amount was \$247 thousand, which provides additional support for a reasonable distribution of loans to small businesses.

### **Geographic Distribution of Loans**

The geographic distribution of loans reflects excellent penetration based on the lending needs of the AA. The distribution of home loans and small business loans to borrowers in the AA is excellent.

#### *Home Loans*

CFSB's geographic distribution of home loans in this AA is excellent based on their performance across census tracts of different income levels. In 2012, the Bank made 100 percent of their home-purchase loans in the low-income census tract and 100 percent of multi-family loans were made in moderate-income census tract. In 2010 and 2011, 100 percent of multi-family loans were made in low- and moderate-income areas, with 83.3 percent in low-income census tracts and 16.67 percent in moderate-income census tracts.

While the level of home purchase loans originated in the moderate-income census tract is poor, this received very little weight as there was only one home purchase loan originated during the review period.

Refer to the table below for a comparison of the Bank's geographic distribution performance compared to the percentage of owner-occupied housing units in the census tract for each income level.



<b>Table 4A - Geographic Distribution of Residential Real Estate Loans in New York AA 2010 Census</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	3.95%	100%	18.61%	0.0%	35.17%	0.0%	42.27%	0.0%
Multi-family	19.47%	0.0%	28.81%	100%	19.59%	0.0%	32.12%	0.0%

Source: HMDA data for YTD 2012; 2010 U.S. Census data.

<b>Table 4B - Geographic Distribution of Residential Real Estate Loans in New York AA 2000 Census</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	3.65%	0.0%	19%	0.0%	36.36%	0.0%	40.99%	0.0%
Multi-family	20.43%	83.33%	30.91%	16.67%	19.05%	0.0%	29.61%	0.0%

Source: HMDA data for 2010-2011; 2000 U.S. Census data.

**Business Loans**

Based on 2011 Business Demographic Data, 43.9 percent of all census tracts in the AA are designated as low or moderate-income tracts. Approximately 53.4 percent of the AA is designated as middle or upper-income tracts. The remaining 2.7 percent consists of 56 census tracts with no income designation. Of the 465,212 small businesses located in the AA, 55.6 percent are located in low or moderate-income tracts. Table 3A illustrates the percentage of small business loans located in various income tracts compared to the number of loans the Bank originated or purchased.

<b>Table 5 - Geographic Distribution of Loans to Businesses/Farms in New York AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Small Business	9.3%	11.1%	46.3%	55.5%	1.1%	33.3%	41.9%	0.0%

Source: Business loan sample 2010-2012; 2011 Business Demographic Data.

The geographic distribution of small business loans is excellent. No small business loans were to businesses located in upper-income tracts. The Bank made a total of 18 small business loans within the AA with the majority representing 66.7 percent or 12

loans to low- or moderate-income tracts. The percentages for low- and moderate-income tracts exceed the percentages of businesses within the AA.

### **Responses to Complaints**

This criterion is not applicable as the Bank or the OCC has not received complaints regarding CRA.

## **COMMUNITY DEVELOPMENT TEST**

Based on the community development test, CFSB's CD performance is excellent. This rating is based on the Bank's responsiveness to the community development needs of its AA by originating CD loans, investments, and services. As part of the CD test, we considered the Bank's ability and capacity to meet community development needs within the AA, and the availability for opportunities for community development in the AA.

### **Number and Amount of Community Development Loans**

The Bank demonstrated excellent responsiveness to AA needs through CD lending activity. CFSB originated 105 qualified CD loans totaling \$33.9 million since the prior examination. Many of these loans are a result of a partnership with the New York City School Construction Authority ("SCA") to provide favorable loan terms and conditions to women owned businesses and minority contractors in the SCA Mentor Program, as well as to provide financial and technical assistance. Over \$8.5 million in loans under this program was granted to eligible contractors. Community development loans also support community service organizations that target LMI individuals and communities, and assist organizations that focus on revitalizing and stabilizing LMI geographies within the AA. These loans meet the requirements as defined in CRA regulation, 12 C.F.R. 563e: Community Reinvestment Act.

### **Number and Amount of Qualified Investments**

CFSB demonstrated excellent responsiveness to AA needs through CD investment activity. The Bank made 58 qualified investments and contributions totaling \$82.2 million since the prior examination. Qualified contributions total \$68.7 thousand and comprise 39 donations and grants to organizations that provide community services, affordable housing projects, promote economic development and revitalize or stabilize LMI individuals and communities within the AA. Contributions were made to organizations that specialize in housing for LMI individuals, those that offer economic and business development opportunities for small business in the AA, organizations aimed at revitalizing LMI communities, and those that provide services to LMI individuals. Qualified investments total \$82.1 million and comprise 19 investments mainly to community development entities geared towards assisting highly distressed neighborhoods within the Bank's AA. Other investments are geared towards government agencies aiding in affordable housing projects.

## **Extent to Which the Bank Provides Community Development Services**

CFSB demonstrated excellent responsiveness to AA needs through CD service activity. The institution provided significant community development services by participating in or sponsoring workshops and community forums to educate and inform residents on various financial topics. In addition, members of management and personnel participate in numerous organizations to further the cause of community development. CFSB maintains a Financial Literacy Center where community residents learn about financial empowerment through various seminars and one-on-one counseling. Carver also collaborates with the New York City Office of Financial Empowerment by providing bank accounts to unbanked families. The Bank participates in a Volunteer Income Tax Assistance program designed for low-income individuals to inform residents on various financial topics and provide tax preparation services to applicable individuals. Carver also partners with the New York City Housing Authority by participating in a program to encourage unbanked residents to pay their rent at CFSB branches. Finally, the Bank expanded its offerings to include Carver Community Cash (“CCC”). CCC is a service where customers with or without bank accounts can cash checks, access a re-loadable debit card, pay bills, send and receive money, and purchase money orders.

A majority of CFSB’s branches and ATMs are located in low- and moderate-income areas. Branches located in middle-income areas are easily accessible from LMI geographies.

## **Responsiveness to Community Development Needs**

Given the Bank’s capacity and availability of community development needs and opportunities within the New York-White Plains-Wayne, NJ-NJ MD AA, the Bank demonstrates excellent responsiveness to community development needs in its AA through community development loans, qualified investments, and community development services.

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

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