

PUBLIC DISCLOSURE

February 22, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Northeast Community Bank
325 Hamilton Avenue
White Plains, NY 10601
Docket #: 02995**

**Office of Thrift Supervision
Northeast Region
Harborside Financial Center Plaza Five, Suite 1600
Jersey City, NJ 07311**

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.



Office of Thrift Supervision
Department of the Treasury

Northeast Region

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June 16, 2011

Board of Directors
Northeast Community Bank
325 Hamilton Avenue
White Plains, NY 10601

Member of the Board:

Enclosed is your institution's written Community Reinvestment Act (CRA) Performance Evaluation. The Office of Thrift Supervision (OTS) prepared the evaluation as of February 22, 2011.

In accordance with 12 C.F.R. 563e, your institution must make this written CRA Performance Evaluation available to the public within 30 business days of receiving it. You must place the evaluation in your CRA public file at your home office and at each branch within this time frame. You may not alter or abridge the evaluation in any manner. At your discretion, you may retain previous written CRA Performance Evaluation(s) with the most recent evaluation in your CRA public file.

Your institution may prepare a response to the evaluation. You may place the response in each CRA public file along with the evaluation. In the event your institution elects to prepare such a response, please forward a copy of it to this office.

All appropriate personnel, particularly customer contact personnel, need to be aware of the responsibilities that the institution has to make this evaluation available to the public. Consequently, we suggest that your institution review internal procedures for handling CRA inquiries, including those pertaining to the evaluation and other contents of the CRA public file.

We strongly encourage the Board of Directors, senior management, and other appropriate personnel to review this document and to take an active interest and role in the CRA activities of your institution.

Sincerely,

Patricia A. Cecconi
Assistant Director - Compliance

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General Information

The Community Reinvestment Act (“CRA”) requires each federal financial supervisory agency to use its authority when examining financial institutions to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Northeast Community Bank. The Office of Thrift Supervision (“OTS”) prepared the evaluation as of February 22, 2011. OTS evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. OTS rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

Institution

Overall Rating

INSTITUTION'S CRA RATING: **Outstanding**
The Lending Test is rated: **Outstanding**
The Community Development Test is rated: **Outstanding**

The overall “Outstanding” CRA performance rating is a reflection of Northeast Community Bank’s (“Northeast” or the “institution”) excellent responsiveness to the credit needs of its community. The loan-to-deposit ratio was excellent, and a substantial majority of lending was in the assessment area. The percentage distribution of lending in low- and moderate-income (“LMI”) geographies was outstanding. The borrower income distribution showed an overall excellent penetration of affordable housing to LMI individuals and families. Accordingly, the Lending Test was rated “Outstanding.”

The Community Development Test was rated “Outstanding.” Multi-family dwelling loans with affordable rents in LMI assessment area communities were granted both inside and outside the assessment area. Northeast excelled in its offering of community development activity via its innovative and flexible lending programs. The institution showed a positive community development response via its qualified investments and grants that supported LMI individuals and families, and through its community development services.

Scope of Examination

This evaluation utilized the OTS Intermediate Small Savings Institution Examination Procedures. This is the institution’s first evaluation under these procedures. The review period for loan data used in this evaluation was the 30-month period from January 1, 2008 through June 30, 2010, where we analyzed the institution’s residential lending. For purposes of this evaluation, residential loans are loans secured by multi-family dwellings, including apartment dwellings, single room occupancy dwellings, student housing, and mixed-use mortgage loans. Also reviewed were commercial loans (small non-residential real estate).

The evaluation also included the institution’s performance in granting community development loans, community development investments, and community development services. Emphasis was placed on performance in the New York assessment area, the area where a majority of branch offices and deposits are situated.

Institution (continued)

Description of Institution

Northeast Community Bank is a federally-chartered stock institution headquartered in White Plains, New York, with assets of \$448 million as of June 30, 2010. Northeast is wholly-owned by Northeast Community Bancorp, a mid-tier holding company, and its parent, Northeast Community Bancorp, MHC.

During the review period, Northeast operated seven full branch offices; five in New York and two in Massachusetts. Of the five full-service branch offices in New York, three are located in New York County (Manhattan), with one each in Kings County (Brooklyn), and the Bronx. The headquarters and loan production office are in White Plains, New York (Westchester County). The institution expanded its assessment area during the review period by opening two new branch offices in Massachusetts; one in Plymouth (Plymouth County) and one in Danvers (Essex County) during the second quarter of 2008. In addition, the loan production office in Wellesley, Massachusetts was relocated to the Danvers facility.

The majority of the institution's lending and deposit activity occurred in the New York assessment area. Based on multi-family and mixed-use assessment area lending, 75 percent by number and 90 percent by dollar amount of total multi-family and mixed-use loans were originated in this assessment area. The majority of the institution's deposit gathering activity occurred in this assessment area, which accounted for 70 percent of total deposits as of June 30, 2010.

Northeast is a niche lender focusing primarily on mortgage loans for the construction, purchase, renovation, and maintenance of multi-family apartment buildings. Northeast does not offer consumer loans and has not originated any single-family mortgage loans or loans that would be subject to the reporting requirements of the Home Mortgage Disclosure Act ("HMDA"). The institution also has a Construction Loan Participation Program whereby it purchases participating interests to finance the construction of multi-family, mixed-use, and non-residential buildings in the assessment area. The institution also offers small business loans.

Northeast continues to focus on offering multi-family mortgage loans to meet the affordable housing needs in the New York assessment area and the Boston assessment area. Northeast offers several innovative and flexible loan products, including, but not limited to, the Single Room Occupancy Hotel Program or SRO Program, and the Section 8 Housing Program. The institution also established a Rehabilitation Loan Program and Student Housing Program. These programs target LMI geographies and individuals.

Institution (continued)

Northeast also developed a program called the Empowerment Zone and Renewal Community Program. This program provides credit to economically distressed communities and to LMI communities. The institution generated approximately \$11 million in loans under this program during the review period.

During the review period, Northeast created a new department called the Special Assets Group to develop new programs to assist borrowers adversely affected by the weakened economic environment. These programs are the Restructured Loan Program and the Loan Modification Program. The bank generated more than \$19 million in loans through these programs during the review period.

As of June 30, 2010, the total loan portfolio equaled \$383.6 million. Table 1 indicates the dollar amount, percentage to total loans, and percentage to total assets of each loan category.

Loan Category	Amount (\$000's)	Percent of Total Loans	Percent of Total Assets
Residential Mortgage	\$270,650	70.6%	54.3%
Nonresidential Mortgage	103,537	27.0%	20.8%
Commercial Nonmortgage	9,374	2.4%	1.9%
Consumer	55	0.0%	0.0%
Total	\$383,616	100.0%	77.0%

During the review period, assets increased \$178.9 million. The vast majority of growth was in the residential loan portfolio, which increased by \$71.2 million. Non-residential mortgage loans increased \$21.4 million, while new commercial non-mortgage loans grew by \$6.4 million.

Based on the institution's size, financial condition, and the lack of any apparent legal impediments, Northeast was capable of meeting its CRA obligations. Northeast was rated an "Outstanding" at the previous evaluation, dated May 29, 2008.

Description of Combined Assessment Area

The institution delineates two separate assessment areas as its primary lending community. The assessment areas include the entire New York-Newark-Bridgeport, NY-NJ-CT-PA Combined Statistical Area ("CSA"), and the Boston-Worcester-Manchester, MA-RI-NH CSA. Collectively, these assessment areas ("Combined Assessment Area") contain 6,764 census tracts ("geographies"). Table 2 illustrates demographic data on population, families, and housing units within the Combined Assessment Area.

Institution (continued)

Demographic Data	2000 Census
Population	28,660,492
Total Families	7,141,669
1-4 Family Units	7,703,214
Multi-family Units	3,436,175
% Owner-Occupied Units	52%
% Rental-Occupied Units	42%
% Vacant Housing Units	6%
Weighted Average Median Housing	\$214,169

Table 3 details the number of geographies in each income level, and distribution of families, one-to-four dwellings, and multi-family units located within those geographies by income levels.

Geog Inc. Level	Geographies		Total Area Families		1-4 Family Dwellings		Multifamily Housing Units	
			#	%	#	%	#	%
Low	640	9.5%	542,316	7.6%	317,069	4.1%	563,140	16.4%
Moderate	1,466	21.7%	1,457,473	20.4%	1,402,252	18.2%	1,009,627	29.4%
Middle	2,656	39.3%	2,908,880	40.7%	3,484,438	45.2%	965,330	28.1%
Upper	1,910	28.2%	2,233,000	31.3%	2,499,035	32.5%	897,898	26.1%
Income NA	92	1.3%	0	0.0%	420	0.0%	180	0.0%
Total	6,764	100.0%	7,141,669	100.0%	7,703,214	100.0%	3,436,175	100.0%

According to 2000 census data, 39.1 percent of the families in the Combined Assessment Area were classified as LMI, with 9.2 percent of the families reporting income below the poverty level. Table 4 shows the distribution of families in each income range of the Combined Assessment Area.

Table 3 indicates that 45.8 percent of all assessment area multi-family dwellings were in LMI geographies, as compared to only 22.3 percent of the one-to-four family homes. Furthermore, within the LMI geographies, multi-family dwellings represented a much higher concentration of total housing: 63.8 percent of the total units in low-income geographies and 41.5 percent of total housing units in moderate-income geographies. With 28 percent of all assessment area families residing in LMI geographies, as identified in Table 3, multi-family dwelling loans represent as assessment area credit need.

Institution (continued)

Table 4 - Distribution of Families Combined Assessment Area		
Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	1,581,638	22.1%
Moderate (50% - 79%)	1,207,768	16.9%
Middle (80% - 119%)	1,454,665	20.4%
Upper (>= 120%)	2,897,598	40.6%
Total	7,141,669	100.0%

Several national, regional, and local lenders had conducted aggressive branching and lending campaigns to gain market share, and the institution found it increasingly difficult to originate loans in sufficient quantities to meet business plan goals. In response to these competitive factors, increased resources, and market demand, the current assessment area represents an expansion of the previous assessment area. The institution opened two full-service branch offices, in addition to relocating an existing loan production office in the Boston area to the Danvers branch office. As a niche lender, the institution can reasonably serve the multi-family and mixed-use credit needs of this larger area.

The assessment area combines two of the nation’s largest metropolitan areas in the northeast and has some of the most expensive housing and rental markets in the nation. The greatest demand in the major metropolitan areas is for affordable housing. The assessment area has a diverse economic base that comprises a variety of business and industries. The weakened real estate market and negative economic conditions have had an impact on opportunities for residential mortgage lending products and community development lending.

Conclusions With Respect To Performance Tests in Combined Assessment Area

Loan-to-Deposit Ratio

The average loan-to-deposit (“LTD”) ratio for the eight quarters ended June 2010 was 116 percent. The ratio ranged from a low of 102 percent in December 2009 to a high of 134 percent in December 2008. The ratio surpassed the 111 percent average noted in the prior evaluation.

There are 38 OTS-regulated institutions headquartered in the institution’s assessment area, with an average LTD ratio of 83 percent as of June 2010. These institutions have total assets ranging from \$38 million to \$61 billion. For the same period, the average ratio for the 25 thrifts located in the assessment area with total assets under \$1 billion was 71 percent.

The institution exceeded the standard for satisfactory performance in this performance criterion.

Institution (continued)

Lending in the Combined Assessment Area

Northeast specializes in multi-family mortgage loans and also offers loans secured by mixed-used properties and commercial loans (non-residential real estate). Table 5(a) illustrates the total number and dollar amount of loans originated in and outside the assessment area during the 30-month review period. For comparative purposes, the table reflects lending by product type/purpose.

Note: Assessment Area shown as “AA” in charts.

Table 5(a) – Concentration of Loans by Product Type/Purpose									
01/01/2008 - 06/30/2010									
<i>(Dollars in thousands)</i>									
Product Type/Purpose	AA#1 New York CSA		AA#2 Boston CSA		Combined AA		Outside AA		Total Loans
	#	%	#	%	#	%	#	%	#
By Number:									
Multifamily/Mixed-Use	72	78%	24	86%	96	80%	11	58%	107
Commercial	20	22%	4	14%	24	20%	8	42%	32
Total	92	100%	28	100%	120	100%	19	100%	139
By \$ Amt.:	\$	%	\$	%	\$	%	\$	%	\$
Multifamily/Mixed-Use	\$87,541	77%	\$10,211	49%	\$97,752	73%	\$25,980	53%	\$123,732
Commercial	26,021	23%	10,705	51%	36,726	27%	22,725	47%	59,451
Total	\$113,562	100%	\$20,916	100%	\$134,478	100%	\$48,705	100%	\$183,183

Table 5(b) illustrates the total number and dollar amount of multi-family loans (including mixed-use loans) originated in and outside the Combined Assessment Area during the 30-month review period ended June 30, 2010. For comparison purposes, the table reflects lending activity by each appropriate year during the review period.

Table 5(b) - Concentration of Multi-Family Loans									
01/01/2008 – 06/30/2010									
<i>(Dollars in thousands)</i>									
Period By Year	AA#1 New York CSA		AA#2 Boston CSA		Combined Assessment Area		Outside Assessment Area		Total Multi- Family Lns
	#	%	#	%	#	%	#	%	#
By Number:									
2008	40	60%	21	31%	61	91%	6	9%	67
2009	26	81%	3	9%	29	91%	3	9%	32
1/1/10 – 6/30/10	6	75%	0	0%	6	75%	2	25%	8
Total	72	67%	24	22%	96	90%	11	10%	107
By \$ Amt.:	\$	%	\$	%	\$	%	\$	%	\$
2008	\$54,757	65%	\$7,813	9%	\$62,570	74%	\$21,545	26%	\$84,115
2009	28,814	88%	2,398	7%	31,212	95%	1,514	5%	32,726
1/1/10 – 6/30/10	3,970	58%	0	0%	3,970	58%	2,922	42%	6,892
Total	\$87,541	71%	\$10,211	8%	\$97,752	79%	\$25,981	21%	\$123,733

Percents are based on total HMDA-reportable loans originated during applicable year.

Institution (continued)

As shown in Table 5(a), the institution originated 139 loans totaling \$183.2 million during the review period, of which 120 loans (86 percent) totaling \$134.5 million (73 percent) were located in the assessment area. In addition, 32 commercial loans (non-residential real estate) totaling \$59.5 million were originated, of which 24 (75 percent) totaling \$36.7 million (62 percent) were originated in the assessment area. Of those loans, 11 totaling \$20.8 million were for community development purposes and are included in the community development portion of this evaluation (Table 9). The remaining 21 small non-residential mortgage loans totaling \$38.7 million are included in the Innovative and Flexible portion of this evaluation (Table 8). Furthermore, a review of the lending outside the assessment area reveals that a vast majority of the loans had a community development purpose.

Table 5(b) shows that 107 multi-family loans (including mixed-use) totaling \$123.7 million were granted during the review period. Of those loans, 96 loans (90 percent) totaling \$97.8 (79 percent) million were located in the assessment area.

A large percentage of loans by both number and dollar amount were originated in the assessment area; thus, the institution exceeded the standard for satisfactory performance in this evaluation criterion.

Lending to Borrowers of Different Incomes

During the review period, Northeast originated 120 loans totaling \$134.5 million within the Combined Assessment Area, with 96 of these loans totaling \$97.8 million secured by residential and mixed-use properties. The residential properties contained 2,748 housing units in total of which 1,885 housing units were in the Combined Assessment Area. Table 6 illustrates the multi-family lending.

Table 6 - Rent Roll Analysis Multi-Family Loans (including mixed-use) Combined Assessment Area* 01/01/2008 – 06/30/2010									
Units of Housing	AA#1 New York CSA		AA#2 Boston CSA		Combined Assessment Area		Outside Assessment Area		Total Housing Units
Income Level*:	#	%	#	%	#	%	#	%	#
Low	497	30%	202	83%	699	37%	766	89%	1,465
Moderate	463	28%	38	16%	501	27%	97	11%	598
Mid/Upper	683	42%	2	1%	685	36%	0	0%	685
Total	1,643	100%	242	100%	1885	100%	863	100%	2,748

*Benchmark is based on less than or equal to 50% of monthly family income for "Low" and Over 50% to 80% for Moderate.

Institution (continued)

Based on the rent roll analysis, there were 699 housing units which had rents affordable to low-income families and an additional 501 units were affordable to moderate-income families. As a result, 1,200 or 64 percent of all assessment area units were available to LMI families. When consideration is given to those multi-family loans outside of the assessment area, a combined LMI penetration of 75 percent is reached. In addition, a review of rents affordable to families living in middle-income geographies was conducted. The review showed that a majority had rents affordable to families of LMI means.

Northeast's residential loans are for investment purposes and the tenants occupying the units do not provide income information to the owner of the property or to the lender. To determine Northeast's performance in assisting families of different income levels, a review of the rents charged to the tenants in all of the buildings was performed. The proportion of renters at or below relevant LMI rentals was calculated utilizing the 2009 median-family income of \$63,000 for the 11-county MD#35644 New York-White Plains-Wayne, NY-NJ Assessment Area. In addition, the 2009 median-family income of \$ 83,900 for the three county Boston-Quincy MD#14484 was utilized for that assessment area.

With the majority of residential units affordable to LMI persons and families in the assessment area, the institution was successful in providing affordable housing and exceeded the standard for satisfactory performance in this evaluation criterion.

Geographic Distribution of Loans

As part of our lending analysis, we reviewed the institution's lending activity with respect to the distribution of multi-family loans among geographic areas of different income levels within the Combined Assessment Area. Table 7 illustrates loan originations, categorized by geography income level, that were reported by the institution during the review period, and compares this activity to the 2008 and 2009 aggregate lenders based on multi-family lending.

Institution (continued)

Table 7 - Distribution of Northeast Community Bank's Multi-Family Loans By Geography Income Level in Combined Assessment Area (Dollars in thousands)										
Geography Inc. Level	2008		2009		1/1/10 – 6/30/10		Review Period 1/1/08 – 6/30/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	11	18.0%	9	31.0%	0	0.0%	20	20.8%	14.7%	12.1%
Moderate	22	36.0%	7	24.1%	0	0.0%	29	30.2%	36.5%	34.4%
Middle	14	23.0%	5	17.2%	3	50.0%	22	22.9%	28.1%	30.9%
Upper	14	23.0%	8	27.7%	3	50.0%	25	26.1%	20.6%	22.6%
Income NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.1%	0.0%
Total	61	100.0%	29	100.0%	6	100.0%	96	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$14,484	23.1%	\$8,368	26.8%	\$0	0.0%	\$22,852	23.4%	12.0%	9.2%
Moderate	16,593	26.5%	11,190	35.9%	0	0.0%	27,783	28.4%	30.4%	28.6%
Middle	11,264	18.0%	2,287	7.3%	1,520	38.3%	15,071	15.4%	28.2%	30.9%
Upper	20,229	32.4%	9,367	30.0%	2,450	61.7%	32,046	32.8%	29.1%	31.3%
Income NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.3%	0.0%
Total	\$62,570	100.0%	\$31,212	100.0%	\$3,970	100.0%	\$97,752	100.0%	100.0%	100.0%

Northeast originated 120 loans totaling \$134.5 million within the Combined Assessment Area, with 96 of these loans totaling \$97.8 million secured by residential and mixed-use properties. The residential properties contained 2,748 housing units in total, of which 1,885 housing units were in the Combined Assessment Area.

The institution has demonstrated a strong commitment to meeting the credit needs of LMI geographies in its assessment area. Even though the institution is not a HMDA reporter, the aggregate HMDA data was used as a proxy to compare the institution's multi-family residential mortgage lending. The institution's percentage distribution of lending for the HMDA reportable multi-family mortgage loans in LMI geographies for the review period exceeds that of the 2008 and 2009 aggregate reporters by number and dollar amount.

The lending distribution also compares favorably with the demographic distribution of geographies by income level. With 20.8 percent by number and 23.4 percent by dollar amount of the loans granted in low-income geographies, the percentages exceed the 9.5 percent of low-income geographies in the assessment area by a wide margin. At 30.2 and 28.4 percent, the percentages of loans by number and dollar amount, respectively, in moderate-income geographies also exceeded the geographies in that category (22 percent). A review of the geographic distribution of the institution's lending outside the assessment area further demonstrates Northeast's dedication to serving LMI geographies. Of the 11 loans totaling \$26 million outside the assessment area, 73 percent and 60 percent by number and dollar amount, respectively, were located in LMI geographies.

Institution (continued)

A significant portion of Northeast’s loans were originated in LMI geographies and the percentage of loans exceeded the portion of geographies classified as LMI. In addition, the percentage distribution in LMI geographies exceeded that of the aggregate reporters. The institution exceeded the standard for a satisfactory performance in this evaluation criterion.

Other Information

Innovative and/or Flexible Lending Practices

Northeast offers many mortgage products that target LMI borrowers and areas. Many of these products are based on past and/or current economic and community credit needs and have community development as an integral component. Some of these programs are highlighted in the community development section in the applicable assessment area.

Table 8 lists the types of innovative and flexible lending programs offered by the institution.

Table 8 - Innovative and Flexible Loan Programs Combined Assessment Area	
Type of Program	Description
Section 8 Housing Subsidy Program	Affordable housing
Single Room Occupancy Programs	Affordable housing
Rehabilitation Program	Distressed real estate
Student Housing Program	Affordable housing
Empowerment Zone & R8enewal Zone	Revitalization/Stabilization
Construction Loan Participation Program	Affordable housing/Revitalization/Stabilization
Small Business Loans	Unmet credit needs
Commercial Loan Program	Revitalization/Stabilization
Loan Modification Program	Interest rate
Restructured Loan Program	Terms/conditions
Small Non-Residential Real Estate Loans	Unique credit needs

Commercial Loan Department

The institution originated 40 commercial loans totaling \$34.2 million, most of which were based in New York City. Seven (18 percent) of those loans were located in LMI geographies with the balance in middle-income geographies. Thirty renewals of credits totaling \$33.6 million were also granted, with five (16 percent) in LMI geographies and the remainder in middle-income geographies.

Northeast established the commercial loan department during the prior review period based on the needs of the community. The above loans are noteworthy as much of this lending was utilized for rehabilitating and upgrading New York City’s public infrastructure such as bridges, highways, water plants, public housing, public high schools and hospitals.

Institution (continued)

Small Business Loan Product

Six loans totaling \$3.3 million were originated under this program during the review period. Northeast established this program in response to a substantial untapped demand for small business lending in the New York CSA Assessment Area, particularly due to bank consolidations, and the loss of major commercial lenders.

Small Non-Residential Real Estate

The institution originated 21 small non-residential real estate loans totaling \$38.7 million, of which 15 totaling \$21 million were located in the assessment area. The program began in response to unmet credit needs in the community for relatively small loan amounts for unique credit purposes, not typically served by large and mid-sized financial institutions. Of the 15 loans in the assessment area, eight loans, totaling \$6.5 million, were located in LMI geographies.

Special Assets Group: Loan Modification Program

Five loans totaling \$4 million, and 21 loans totaling \$15.2 million, were originated under the Loan Modification Program and the Restructured Loan Program, respectively. Most of the properties were located in LMI geographies and included single room occupancy dwellings.

Northeast established this group to develop new programs to assist borrowers adversely impacted by the weakened economic environment. The programs developed are dedicated to loan modifications and restructurings: The Restructured Loan Program focuses on interest rate reductions and the Loan Modification Program includes changes in both rate and non-rate terms. Flexibility and innovative approaches to both programs help building owners retain their properties rather than having them go into default. The institution assesses factors such as business conditions, housing trends, as well as the needs of the community in resolving loans under these programs. The loans had community development components.

Response to Complaints

During the review period, the institution received no known written complaints pertaining to its performance in helping to meet the credit needs within the assessment area.

Institution (continued)

Community Development Activities In Combined Assessment Area

The institution continues to be very active in community development lending. During the review period, the institution engaged in community development lending through direct lending, and multi-family lending.

Community Development Lending

Northeast granted a total of 115 loans totaling \$150.1 million, of which 96 loans (83 percent) totaling \$102.7 million (68 percent) were located in the Combined Assessment Area. As Northeast satisfied the community development lending requirements in its assessment area, credit was given to community development lending outside the assessment area, and is reflected in the dollar amounts below. Table 9 lists the community development loans and the innovative and flexible loan programs offered by the institution in the assessment area.

Table 9 – Community Development Loans Combined Assessment Area 01/01/2008 – 06/30/2010					
Type of Programs	All CD Lending		In Combined AA		Description
	No.	\$ (000)	No.	\$ (000)	
Multi-family Housing/LMI Rentals	57	\$66,333	49	\$50,635	Affordable Housing
Section 8 Housing Subsidy	21	29,693	14	13,116	Affordable Housing
Single Room Occupancy	5	1,914	5	1,915	Affordable Housing
Rehabilitation	15	23,305	14	16,217	Distressed Real Estate
Student Housing	2	3,340	1	440	Affordable Housing
Empowerment & Renewal Zone	8	10,766	6	5,666	Revitalization/Stabilization
Construction Participation Loans	7	14,744	7	14,744	Aff.Housing/Revitaliz/Stabiliz
Total Community Development Lending	115	\$150.095	96	\$102.733	

Multi-family Lending

Community development loans are defined as those multi-family loans that are located in LMI geographies with rents that are likely to be affordable to LMI persons.

The institution originated 57 loans totaling \$66.3 million in LMI geographies, of which 49 loans, totaling \$50.6 million, were in the Combined Assessment Area. These loans provided rental units affordable to LMI people.

Institution (continued)

Section 8 Housing Subsidy Program

The Section 8 program provides lending guidelines for the renovation and long-term financing of affordable housing properties. The occupants of these apartments receive vouchers from the city of New York for up to 70 percent of rental costs. The institution originated 21 loans totaling \$29.7 million during the review period, of which 14 loans totaling \$13.1 million were in the Combined Assessment Area.

Single Room Occupancy Program

This program provides financing on complexes for low-income individuals and the homeless. The institution originated five loans totaling \$1.9 million, all in the Combined Assessment Area.

Rehabilitation Program

This program is primarily devoted to the rehabilitation and renovation of multi-family and mixed-use buildings, many in LMI communities. The institution originated 15 loans totaling \$23.3 million, of which 14 loans, totaling \$16.2 million, were in the Combined Assessment Area.

Student Housing

This program was developed to meet the growing demand for units primarily occupied by college students, especially LMI students. The institution originated two loans, totaling \$3.3 million, of which one loan totaling \$440 thousand was in the Combined Assessment Area.

Empowerment & Renewal Zone

This program provides lending opportunities in economically distressed communities. The institution originated eight loans totaling \$10.8 million, of which six loans totaling \$5.7 million were in the Combined Assessment Area.

Construction Participation

This program provides for the purchasing of interests in the financing of the construction of multi-family, mixed-use and non-residential buildings having with community development components. Seven loans totaling \$14.7 million were originated, all in the Combined Assessment Area.

Institution (continued)

Community Development Investments

The areas reviewed under this section consisted of the institution's investment and grant activity in the Combined Assessment Area.

In late 2008, the institution established its Minority Bank CD Investment Program by making qualified investments totaling \$4.5 million, with the resulting aim of supporting minority banks throughout the assessment area as well as a broader regional and national scope. Northeast believes that minority banks play a unique role in promoting the economic viability of underserved communities, as they understand the needs of the communities. The institution believes these investments help to generate retail core deposits in areas where raising funds may be difficult. The institution invested locally and extended to a broader regional and national area due to the limited number of target banks in the assessment area. Of the \$4.5 million in qualified investments, \$2.5 million was invested in the assessment areas, with \$2.0 million invested in a broader regional or national area.

During the review period, the institution made approximately \$30 thousand in grants and charitable contributions to various organizations in its assessment area, which were distributed based on the needs of its community. Funds were disbursed to community development organizations whose primary purposes were to assist LMI persons in obtaining affordable housing and other services including credit counseling, financial education, and job training. In addition, funds were disbursed to organizations that provide support services to persons at risk, as well as support services to disadvantaged children.

Community Development Services

Northeast's community development services are responsive to the needs of its assessment area. Representatives from the institution actively participate in community development organizations that promote economic and financial development. The institution's primary involvement in these services is through the Education and Outreach Program, where key lending personnel are involved in community outreach by providing education in financing techniques of multi-family and commercial lending. The program originally focused on multi-family lending, but was expanded during the review period to include commercial lending. Senior representatives of the institution gave presentations and appeared on various panels to educate interested parties in the importance of, and procedures for, financing multi-family and commercial lending.

Institution (continued)

Community development activity was outstanding as it provided multi-family dwelling loans with affordable rents in LMI assessment area communities, both inside and outside the assessment area, and via innovative and flexible lending programs offered in the assessment area. The institution's performance also reflects a positive response via qualified investments and grants, and community development services that support LMI individuals and families.

Fair Lending or Other Illegal Credit Practices Review

An evaluation of compliance with consumer laws and regulations was performed during prior the comprehensive examination of the institution. No violations of the substantive provisions of the laws and regulations prohibiting discrimination or other illegal credit practices were identified during that examination.

Multistate Metropolitan Area

(Complete for each multistate metropolitan area where an institution has branches in two or more states within the multistate metropolitan area)

CRA Rating for New York-Newark-Bridgeport, NY-NJ-CT-PA CSA

CRA RATING^a:	Outstanding
The Lending Test is rated:	Outstanding
The Community Development Test is rated:	Outstanding

The institution's performance in the New York CSA Assessment Area is outstanding. A majority of Northeast's lending activities occurred in this assessment area, and the volume was strong. The percentage distribution of lending in LMI geographies was excellent. The borrower income distribution showed a strong penetration of lending to LMI individuals and families.

The number and dollar amount of community development lending was excellent, as were the innovative and flexible lending programs utilized in helping to meet the credit needs of the community. Community development investments and community development services also provided a positive response to the needs of the community.

In assigning an overall rating, the performance in this assessment area was given substantial weight since it included most of the lending activity.

Scope of Examination

The review period for loan data used in this evaluation was the 30-month period from January 1, 2008 through June 30, 2010, and analyzed the institution's residential lending. For purposes of this evaluation, residential loans are loans secured by multi-family dwellings, including apartment dwellings, single room occupancy dwellings, student housing, and mixed-use properties. Also reviewed were commercial loans (small non-residential real estate). The evaluation also included the institution's performance in granting community development loans, community development investments, and community development services.

Description of Institution's Operations in New York-Newark-Bridgeport, NY-NJ-CT-PA CSA

During the review period, Northeast operated five branch offices in New York City and a headquarters and loan production office in White Plains, Westchester County. Northeast had three branch locations in New York County (Manhattan), and one branch in each of Kings County

^a This rating reflects performance within the multistate metropolitan area. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained within the multistate metropolitan area.

(Brooklyn) and the Bronx. All are in upper-income geographies with the exception of the Bronx branch (low-income) and the headquarter location (moderate-income). The branch offices are all full-service. The majority of the institution’s lending and deposit activity occurred in the New York CSA Assessment Area. Seventy-five percent by number and ninety percent by dollar amount of total multi-family and mixed-use loans were originated in this assessment area. Likewise, 70 percent of the institution’s deposits are from the assessment area.

Description of New York CSA Assessment Area

The institution designated all 30 counties within the New York-Newark-Bridgeport, NY-NJ-CT-PA CSA #408 as an assessment area. This assessment area (“NY CSA Assessment Area”) contains 5,205 geographies. Table 10 illustrates the counties within the NY CSA Assessment Area along with the applicable Metropolitan Statistical Division (“MSA”), Metropolitan Division (“MD”) or Micropolitan Statistical Area.

Table 10 – New York CSA Assessment Area	
MSA/MD #	MSA/MD Name and County
14860	Bridgeport-Stamford-Norwalk, CT MSA <i>Fairfield County</i>
28740	Kingston, NY MSA <i>Ulster County</i>
35300	New Haven-Milford, CT MSA <i>New Haven County</i>
20764	Edison-New Brunswick, NJ MD <i>Middlesex, Monmouth, Ocean and Somerset Counties</i>
35004	Nassau-Suffolk, NY MD <i>Nassau and Suffolk Counties</i>
35084	Newark-Union, NJ-PA MD <i>Essex, Hunterdon, Morris, Sussex, Union and Pike Counties</i>
35644	New York-White Plains-Wayne, NY-NJ MD <i>Bronx, Kings, New York, Putnam, Queens, Richmond, Rockland, Westchester, Bergen, Hudson, and Passaic Counties</i>
39100	Poughkeepsie-Newburgh-Middletown, NY MSA <i>Dutchess and Orange Counties</i>
45860	Torrington, CT Micropolitan Statistical Area <i>Litchfield County</i>
45940	Trenton-Ewing, NJ MSA <i>Mercer County</i>

Table 11 illustrates demographic data on population, families, and housing units within the NY CSA assessment area.

Table 11 - Demographic Data (Based on 2000 U.S. Census Data)	
Demographic Data	2000 Census
Population	21,361,797
Total Families	5,305,458
1-4 Family Units	5,386,912
Multi-family Units	2,853,152
% Owner-Occupied Units	50%
% Rental-Occupied Units	44%
% Vacant Housing Units	6%
Weighted Average Median Housing	\$222,276

Table 12 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to multi-family dwellings located within those geographies.

Table 12 - Distribution of Geographies, Families and Housing Units NY CSA Assessment Area						
Geog Inc Level	Geographies		Total Area Families		Multi-family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	518	10.0%	454,997	8.6%	494,092	17.3%
Moderate	1,134	21.8%	1,118,964	21.1%	835,396	29.3%
Middle	1,923	36.9%	2,008,605	37.8%	725,796	25.4%
Upper	1,542	29.6%	1,722,892	32.5%	797,734	28.0%
Income NA	88	1.7%	0	0.0%	134	0.0%
Total	5,205	100.0%	5,305,458	100.0%	2,853,152	100.0%

According to 2000 census data, 39.5 percent of the families in the NY CSA assessment area are classified as low- to moderate-income, with 10.2 percent of the families reporting income below the poverty level. Table 13 shows the distribution of families in each income range of the NY CSA Assessment Area.

Table 13 - Distribution of Families NY CSA Assessment Area		
Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	1,211,197	22.8%
Moderate (50% - 79%)	882,240	16.6%
Middle (80% - 119%)	1,037,894	19.6%
Upper (>= 120%)	2,174,127	41.0%
Total	5,305,458	100.0%

The New York CSA Assessment Area is heavily populated with multi-family dwellings and represents a majority of the housing units. These dwellings represent 68 percent and 46 percent of housing in low- and moderate-income geographies, respectively, in the assessment area, based on the 2000 census data. In addition, there is a greater proportion of renters to owners, particularly in those geographies. As such, rental units represent 80 percent and 63 percent of housing in LMI geographies, respectively.

The New York major metropolitan area is centrally located and accessible to major cities in the northeast via all modes of transportation. The economy is service and information-based, and includes the financial services industry, communications, publishing, advertising, and legal services. Services and retail trade account for a high percentage of employment in the assessment area.

A community contact was reviewed to develop a better understanding of the housing needs of the community and how financial institutions are addressing those needs. The contact noted the need for affordable housing. The contact stated that the weakened economy impacted the area by increasing unemployment, which made potential homeowners hesitant to purchase homes.

Conclusions with Respect to Performance Tests in New York-Newark-Bridgeport, NY-NJ-CT-PA CSA

Lending in the NY CSA Assessment Area

Northeast specializes in multi-family mortgage loans and also offers loans secured by mixed-use properties, and commercial loans (non-residential real estate). Table 14 illustrates lending activity in the New York CSA Assessment Area during the 30-month review period ending June 30, 2010.

Table 14 - Loan Originations within the New York CSA Assessment Area						
1/1/2008 –6/30/2010						
(Dollars in thousands)						
Loan Type	Combined AA	New York CSA AA		Combined AA	New York CSA AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
Multi-family and Mixed-Use	96	72	75%	\$97,752	\$87,541	90%
Commercial	24	20	83%	36,726	26,021	71%
Total	120	92	77%	\$134,478	\$113,562	84%

A substantial majority of lending was originated in the New York CSA Assessment Area. This compares favorably with Northeast’s number of branch offices (71 percent) and deposit activity (70 percent) for this area. This area is highly competitive for deposits and loans. Notwithstanding the weakened economy, lending volume was strong overall due to the nature of the institution’s niche lending in the multi-family and mixed-use mortgage loan categories. The volume of commercial real estate lending increased since the preceding evaluation.

Northeast originated 92 loans totaling \$113.6 million within the New York CSA Assessment Area, with 72 of those loans totaling \$87.5 million secured by residential and mixed-use properties. In addition, 20 commercial loans (non-residential real estate) totaling \$26 million were originated, of which seven, totaling \$12.7 million, were for community development purposes, and are included in the community development portion of this evaluation (Table 18). The remaining 13 small non-residential loans, totaling \$13.3 million, are included in the Innovative and Flexible portion of this evaluation (Table 17). Furthermore, a review of lending outside the assessment area reveals that a vast majority of the loans had a community development purpose.

Lending to Borrowers of Different Incomes

Table 15 illustrates rent roll analysis conducted for these multi-family properties as a proxy for lending to borrowers of different incomes.

Table 15 – Rent Roll Analysis Multi-Family Loans						
New York CSA Assessment Area*						
1/1/2008 – 6/30/2010						
Units of Housing	AA#1		Outside AA#1		Combined AA#1	
	New York CSA		New York CSA		New York CSA	
Income Level:	#	%	#	%	#	%
Low	497	30%	638	87%	1,135	48%
Moderate	463	28%	97	13%	560	23%
Mid/Upper	683	42%	0	0%	683	29%
Total	1,643	100%	735	100%	2,378	100%

Based on the rent roll analysis, there were 497 housing units which had rents affordable to low-income families and an additional 463 units were affordable to moderate-income families. As a result, 960, or 58 percent of all assessment area units, were available to LMI families.

Northeast’s residential loans are for investment purposes and the tenants occupying the units do not provide income information to the owner of the property or to the lender. To determine Northeast’s performance in assisting families of different income levels, a review of the rents charged to the tenants in all of the buildings was performed. The proportion of renters at or below relevant LMI rentals was calculated utilizing the 2009 median-family income of \$63,000 for the 11-county MD#35644 New York-White Plains-Wayne, NY-NJ Assessment Area. The majority of multi-family lending occurred in that MD.

A review of the 20 commercial (non-residential mortgage and small business loans) originated in the New York CSA Assessment Area during the review period indicated that 10 of the 20 loans, or 50 percent, were in amounts of \$1 million or less, meeting the definition of small business loans. Detailed information on the borrowers’ gross revenues was not readily available; however, management believed that many of the customers had gross revenues of less than \$1 million, which would also qualify them as small business loans.

The percentage distribution of housing units with rents affordable to families of LMI means was very strong. The institution was successful in providing housing for LMI individuals and families in the assessment area as well as outside the assessment area, and exceeded the standard for satisfactory performance in this evaluation criterion.

Geographic Distribution of Loans

As part of our lending analysis, we reviewed the institution’s lending activity with respect to the distribution of multi-family loans among geographic areas of different income levels within the NY CSA Assessment Area. Table 16 illustrates loan originations, categorized by geography income level, that were reported by the institution during the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ multi-family lending.

Table 16 - Distribution of Northeast Community Bank’s Multi-Family Loans By Geography Income Level in NY CSA Assessment Area (Dollars in thousands)										
Geography Inc. Level	2008		2009		1/1/10 – 6/30/10		Review Period 1/1/08 – 6/30/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	9	22.5%	6	23.1%	0	0.0%	15	20.8%	16.0%	12.5%
Moderate	12	30.0%	7	26.9%	0	0.0%	19	26.4%	35.5%	33.8%
Middle	7	17.5%	5	19.2%	3	50.0%	15	20.8%	25.4%	28.2%
Upper	12	30.0%	8	30.8%	3	50.0%	23	32.0%	23.0%	25.4%
Income NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.1%	0.1%
Total	40	100.0%	26	100.0%	6	100.0%	72	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$13,953	25.5%	\$5,970	20.7%	\$0	0.0%	\$19,923	22.8%	12.9%	9.6%
Moderate	13,520	24.7%	11,190	38.8%	0	0.0%	24,710	28.2%	29.9%	30.3%
Middle	8,015	14.6%	2,287	7.9%	1,520	38.3%	11,822	13.5%	26.5%	27.1%
Upper	19,269	35.2%	9,367	32.6%	2,450	61.7%	31,086	35.5%	30.4%	33.0%
Income NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.3%	0.0%
Total	\$54,757	100.0%	\$28,814	100.0%	\$3,970	100.0%	\$87,541	100.0%	100.0%	100.0%

Northeast originated 92 loans totaling \$113.6 million within the New York CSA Assessment Area, with 72 of these loans totaling \$87.5 million secured by residential and mixed-use properties. The residential properties in and outside the New York CSA Assessment Area contained 2,378 housing units, of which 1,643 housing units were inside the New York CSA Assessment Area.

The institution has demonstrated a strong commitment to meeting the credit needs of LMI geographies in its assessment area for multi-family lending. Even though the institution is not a HMDA reporter, the aggregate HMDA data was used as a proxy in comparing the institution’s multi-family residential mortgage lending. The institution’s percentage distribution of multi-family lending in LMI geographies for the review period exceeded that of the 2008 and 2009 aggregate HMDA

reporters by both number and dollar amount. Thus, the institution exceeded the standard for satisfactory performance in this evaluation criterion.

Other Information

Innovative and/or Flexible Lending Practices

Northeast offers many mortgage products that target LMI borrowers and areas. Many of these products are based on past and/or current economic and community credit needs, and have community development as an integral component. Some of these programs are highlighted in the community development section within the applicable assessment area.

Table 17 lists the types of innovative and flexible lending programs offered by the institution.

Table 17- Innovative and Flexible Loan Programs New York CSA Assessment Area	
Type of Program	Description
Section 8 Housing Subsidy Program	Affordable housing
Single Room Occupancy Programs	Affordable housing
Rehabilitation Program	Distressed real estate
Student Housing Program	Affordable housing
Empowerment Zone & Renewal Zone	Revitalization/Stabilization
Construction Loan Participation Program	Affordable housing/Revitalization/Stabilization
Small Business Loans	Unmet credit needs
Commercial Loan Program	Revitalization/Stabilization
Loan Modification Program	Interest rate
Restructured Loan Program	Terms/conditions
Small Non-Residential Real Estate Loans	Unique credit needs

Commercial Loan Department

The institution originated 40 commercial loans totaling \$34.2 million, most of which were based in New York City. Seven (18 percent) of those loans were located in LMI geographies with the balance in middle-income geographies. Thirty renewals of credits totaling \$33.6 million were also granted, with five (16 percent) in LMI geographies and the remainder in middle-income geographies.

Small Business Loan Product

Six loans totaling \$3.3 million were originated under this program during the review period. Northeast established this program in response to a substantial untapped demand for small business lending in the New York CSA Assessment Area, particularly due to bank consolidations, and the loss of major commercial lenders.

Small Non-Residential Real Estate

The institution originated 19 small non-residential real estate loans totaling \$31 million, of which 13 totaling \$13.3 million were located in the assessment area. Of the 13 loans in the assessment area, eight loans totaling \$6.5 million were located in LMI geographies. This is a very strong penetration, and compares favorably with the LMI demographics.

Special Assets Group

Loan Modification Program

The institution originated two loans totaling \$1.3 million and 12 loans totaling \$10.5 million under the Loan Modification Program and the Restructured Loan Program, respectively. Most of the properties were located in LMI geographies and included Single Room Occupancy dwellings.

Community Development Activities In NY CSA Assessment Area

The institution continues to be very active in community development lending. During the review period, the institution engaged in community development lending through direct lending and multi-family lending.

Community Development Lending

Northeast granted a total of 82 loans totaling \$132.2 million of which 69 loans (84 percent) totaling \$89.1 million (67 percent) were located in the New York CSA Assessment Area. As Northeast satisfied the community development lending requirements in its assessment area, credit was given to community development lending outside the New York CSA Assessment Area. Table 18 lists the community development loans, via the innovative and flexible loan programs offered by the institution, in this assessment area.

Table 18- Community Development Loans New York CSA Assessment Area 1/1/2008 – 6/30/2010					
Type of Program	All AA#1		In AA#1		Description
	New York CSA		New York CSA		
	No.	\$(000)	No.	\$(000)	
Multi-family Housing / LMI Rentals	38	\$57,166	34	\$44,633	Affordable housing
Section 8 Housing Subsidy	15	26,361	10	10,928	Affordable housing
Single Room Occupancy	2	1,052	2	1,053	Affordable housing
Rehabilitation	13	22,098	12	15,010	Distressed real estate
Student Housing	2	3,340	1	440	Affordable housing
Empowerment & Renewal Zone	5	7,438	3	2,338	Revitalization/Stabilization
Construction Participation Loans	7	14,744	7	14,744	Aff. Housing/Revitalization/Stabilization
Total Community Development	82	\$132,199	69	\$89,146	

In addition, Northeast granted a total of 96 loans totaling \$102.7 million within the Combined Assessment Area, of which 69 loans (72 percent) totaling \$89.1 million (87 percent) were within the New York CSA Assessment Area and represented a positive contribution to the community.

Multi-family Lending

Community development loans are defined as those that include multi-family dwelling loans that are located in LMI geographies with rents that are likely to be affordable to LMI persons.

The institution originated 38 loans totaling \$57.2 million in LMI geographies both inside and outside of the New York CSA Assessment Area, of which 34 loan totaling \$44.6 million, were inside the assessment area. These loans provided rental units affordable to LMI persons.

Section 8 Housing Subsidy Program

Section 8 program was an alternative to failed public housing efforts and provides lending guidelines for renovating and long-term financing of affordable housing properties. The occupants of these apartments receive vouchers from the city of New York for up to 70 percent of rental costs. The institution originated 15 loans totaling \$26.4 million in LMI geographies, both inside and outside of the New York CSA Assessment Area, of which 10 loans totaling \$10.9 million were originated inside the assessment area.

Single Room Occupancy Program

This program provides financing on nightly and weekly rental complexes for low-income individuals and the homeless. Two loans totaling \$1.1 million were originated in the New York CSA Assessment Area.

Rehabilitation Program

This program is primarily devoted to the rehabilitation and renovation of multi-family and mixed-use buildings, many in LMI communities. The institution originated 13 loans totaling \$22.1 million, of which 12 loans totaling \$15 million were within the assessment area.

Student Housing

This program was developed to meet the growing demand for units primarily occupied by college students, especially LMI students. The institution originated two loans totaling \$3.3 million, with one loan totaling \$440 thousand originated inside the assessment area.

Empowerment & Renewal Zone

This program provides lending opportunities in economically distressed communities. The institution originated five loans totaling \$7.4 million, with three loans totaling \$2.3 million originated inside the assessment area.

Construction Participation

This program provides for the purchasing of interests in financing the construction of multi-family, mixed-use and non-residential buildings with community development components. Seven loans totaling \$14.7 million were originated in the New York CSA Assessment Area.

Qualified Investments and Donations

The areas reviewed under this section consisted of the institution's investment and grant activity in the New York CSA Assessment Area.

The institution invested \$2.5 million in the Minority Bank CD Investment Program, a program which supports minority banks throughout the assessment area as well as a broader regional and national scope.

During the review period, the institution made approximately \$10 thousand in grants and charitable contributions to various organizations in its assessment area. Funds were disbursed to community development organizations whose primary purposes were to assist LMI persons in obtaining affordable housing and other services including credit counseling, financial education, and job training.

Community Development Services

The area reviewed under this section consisted of the institution's participation and involvement of community development services in the New York CSA Assessment Area.

Northeast's community development services are responsive to the needs of its community. Representatives from the institution actively participate in community development organizations that promote economic and financial development. In addition, officers serve on boards and committees of a number of community development organizations in the assessment area. Members of management and employees interact on the local level by providing services to the elderly, at risk youth, and the homeless.

The institution's primary involvement in these services is through the Education and Outreach Program, where key lending personnel are involved in community outreach by providing education in financing techniques of multi-family and commercial lending.

Community development activity was outstanding as it provided multi-family dwelling loans with affordable rents in LMI communities, both inside and outside the assessment area. In addition, the institution was proactive in its offering of community development activity via its innovative and flexible lending programs.

Multistate Metropolitan Area

(Complete for each multistate metropolitan area where an institution has branches in two or more states within the multistate metropolitan area)

CRA Rating for Boston-Worcester-Manchester, MA-RI-NH CSA

CRA RATING^b:	Outstanding
The Lending Test is rated:	Outstanding
The Community Development Test is rated:	Outstanding

The institution's performance in the Boston CSA Assessment Area was outstanding. The geographic distribution of lending was excellent and the availability of multi-family units to LMI was similarly good.

The volume of community development lending was excellent as was the use of innovative and flexible lending programs utilized in helping to meet the credit needs of the community. Community development investments and community development services further provided a positive response to the needs of the community.

In assigning an overall rating, the performance in this assessment area was given lesser weight as this area accounts for a smaller percentage of lending and deposit activity.

Scope of Examination

The review period for loan data used in this evaluation was the 30-month period from January 1, 2008 through June 30, 2010. For purposes of this evaluation, residential loans are loans secured by multi-family dwellings, including apartment dwellings, single room occupancy dwellings, student housing, and mixed-use properties. Also reviewed were commercial loans (small non-residential real estate). The evaluation also included the institution's performance in granting community development loans, community development investments, and community development services.

Description of Institution's Operations in Boston-Worcester-Manchester, MA-RI-NH CSA

During the review period, Northeast operated two branch offices in Massachusetts; one in Danvers (Essex County), and one in Plymouth (Plymouth County). The full-service branch facility in Plymouth was opened during the review period, and is located in a moderate-income geography. The full-service branch facility in Danvers is also a new location and incorporates the loan production

^b This rating reflects performance within the multistate metropolitan area. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained within the multistate metropolitan area.

facility. Both branch office locations offer drive-up services and extended hours of operation. Twenty percent by number and 11 percent by dollar amount of the institution’s lending occurred in this assessment area. In addition, 30 percent of deposits are in this assessment area.

Description of Boston CSA Assessment Area

The institution designates all 17 counties within the Boston-Worcester-Manchester, MA-RI-NH CSA #148 as an assessment area. This assessment area (“Boston CSA Assessment Area”) contains 1,559 geographies. Table 19 illustrates the counties within the Boston CSA Assessment Area, along with the applicable Metropolitan Statistical Division, Metropolitan Division, or Micropolitan Statistical Area.

Table 19 – Boston CSA Assessment Area	
MSA/MD #	MSA/MD Name and County
14484	Boston-Quincy, MA MD <i>Norfolk, Plymouth and Suffolk Counties</i>
15764	Cambridge-Newton-Framingham, MA MD <i>Middlesex County</i>
37764	Peabody, MA MD <i>Essex County</i>
40484	Rockingham County-Strafford County, NH MD <i>Rockingham and Strafford Counties</i>
18180	Concord, NH Micropolitan Statistical Area <i>Merrimack County</i>
29060	Laconia, NH Micropolitan Statistical Area <i>Belknap County</i>
31700	Manchester-Nashua, NH MSA <i>Hillsborough County</i>
39300	Providence-New Bedford-Fall River, RI-MA MSA <i>Bristol, Kent, Newport, Providence and Washington Counties</i>
49340	Worcester, MA MSA <i>Worcester County</i>

Table 20 illustrates demographic data on population, families, and housing units within the Boston CSA Assessment Area.

Table 20 - Demographic Data (Based on 2000 U.S. Census Data)	
Demographic Data	2000 Census
Population	7,298,695
Total Families	1,836,211
1-4 Family Units	2,316,302
Multi-family Units	583,023
% Owner-Occupied Units	59%
% Rental-Occupied Units	36%
% Vacant Housing Units	5%
Weighted Average Median Housing	\$191,343

Table 21 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Table 21 - Distribution of Geographies, Families and Housing Units Boston CSA Assessment Area						
Geog Inc Level	Geographies		Total Area Families		Multi-family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	122	7.8%	87,319	4.8%	69,048	11.8%
Moderate	332	21.3%	338,509	18.4%	174,231	29.9%
Middle	733	47.0%	900,275	49.0%	239,534	41.1%
Upper	368	23.6%	510,108	27.8%	100,164	17.2%
Income NA	4	0.3%	0	0.0%	46	0.0%
Total	1,559	100.0%	1,836,211	100.0%	583,023	100.0%

According to 2000 census data, 37.9 percent of the families in the Boston CSA Assessment Area were classified as low- to moderate-income, with 6.4 percent of the families reporting income below the poverty level. Table 22 shows the distribution of families in each income range of the Boston CSA Assessment Area.

Table 22 - Distribution of Families Boston CSA Assessment Area		
Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	370,441	20.2%
Moderate (50% - 79%)	325,528	17.7%
Middle (80% - 119%)	416,771	22.7%
Upper (>= 120%)	723,471	39.4%
Total	1,836,211	100.0%

The Boston CSA Assessment Area’s multi-family dwellings represent a majority of the housing units in low-income geographies. These dwellings represent 53 percent and 33 percent of housing in LMI geographies, respectively, in the assessment area, based on the 2000 census data. In addition, there is a greater proportion of renters to owners, particularly in those geographies. As such rental units represent 78 percent and 62 percent, of housing in LMI geographies, respectively.

Major employers within the Boston CSA Assessment Area include the health care and social services sector, followed by professional and technical services, government agencies, and retail trade sectors. While home prices dropped significantly, prices are still beyond the reach of LMI borrowers without the use of flexible lending programs.

Conclusions with Respect to Performance Tests in Boston-Worcester-Manchester, MA-RI-NH CSA

Lending in the Boston CSA Assessment Area

Northeast specializes in multi-family mortgage loans and also offers loans secured by mixed-use properties, and commercial loans (non-residential real estate). Table 23 illustrates lending activity in the Boston CSA Assessment Area during the 30-month review period ended June 30, 2010.

Table 23 - Loan Originations within the Boston CSA Assessment Area						
1/1/2008 –6/30/2010						
(Dollars in thousands)						
Loan Type	Combined AA	Boston CSA AA		Combined AA	Boston CSA AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
Multi-family and Mixed-Use	96	24	25%	\$97,752	\$10,211	10%
Commercial	24	4	17%	36,726	10,705	29%
Total	120	28	23%	\$134,478	\$20,916	16%

Northeast originated 28 loans totaling \$20.9 million within the Boston CSA Assessment Area, of which 24 loans, totaling \$10.2 million, were secured by residential and mixed-use properties. In addition, four commercial loans (non-residential real estate) totaling \$10.7 million were originated, of which two loans, totaling \$3 million, were for community development purposes, and are included in the community development portion of this evaluation (Table 27). The remaining two small non-residential loans totaling \$7.7 million are included in the Innovative and Flexible portion of this evaluation (Table 26). Furthermore, a review of the lending outside the assessment area revealed that a vast majority of the loans had a community development purpose.

The Boston CSA Assessment Area is new and was established during the current review period with the opening of two branch offices and the relocation of the loan production office to the Danvers branch office. The volume of lending in this assessment area is proportional to the percentage of branch locations and deposits generated.

Lending to Borrowers of Different Incomes

During the review period, Northeast originated 28 loans totaling \$20.9 million within the Boston CSA Assessment Area, with 24 of these loans, totaling \$10.2 million, secured by residential and mixed-use properties. The residential properties in and outside the Boston CSA Assessment Area contained 370 housing units, of which 242 were inside the Boston CSA Assessment Area.

The proportion of renters at or below relevant LMI rentals was calculated utilizing the 2009 median-family income of \$83,900 for the three county Boston-Quincy MD#14484. The majority of multi-family lending occurred in that MD.

Table 24 illustrates rent roll analysis conducted for these multi-family properties as a proxy for lending to borrowers of different incomes.

Table 24 - Rent Roll Analysis Multi-Family Loans Boston CSA Assessment Area 01/01/2008 – 06/30/2010						
Units of Housing	AA#2 Boston CSA		Outside AA#2 Boston CSA		Combined AA#2 Boston CSA	
	#	%	#	%	#	%
Income Level:						
Low	202	83%	128	100%	330	89%
Moderate	38	16%	0	0%	38	10%
Mid/Upper	2	1%	0	0%	2	1%
Total	242	100%	128	100%	370	100%

Based on the rent roll analysis, there were 202 housing units which had rents affordable to low-income families and an additional 38 units were affordable to moderate-income families. As a result, 240 or 99 percent of all assessment area units were available to LMI families.

With the vast majority of residential units affordable to LMI persons and families in the assessment area, the institution was successful in providing affordable housing and exceeded the standard for satisfactory performance in this evaluation criterion.

Geographic Distribution of Loans

As part of our lending analysis, we reviewed the institution’s lending activity with respect to the distribution of multi-family loans among geographies of different income levels within the Boston CSA Assessment Area. Table 25 illustrates loan originations, categorized by geography income level, that were reported by the institution during the review period, and compares this activity to the 2008 and 2009 aggregate lenders based on multi-family lending.

Table 25 - Distribution of Northeast Community Bank's Multi-Family Loans By Geography Income Level in Boston CSA Assessment Area (Dollars in thousands)										
Geography Inc. Level	2008		2009		1/1/10 – 6/30/10		Review Period 1/1/08 – 6/30/10		Aggregate	
	#	%	#	%	#	%	#	%	2008	2009
By Number:										
Low	2	9.5%	3	100.0%	0	0.0%	5	20.8%	10.4%	10.8%
Moderate	10	47.7%	0	0.0%	0	0.0%	10	41.7%	39.6%	36.0%
Middle	7	33.3%	0	0.0%	0	0.0%	7	29.2%	37.1%	38.6%
Upper	2	9.5%	0	0.0%	0	0.0%	2	8.3%	12.9%	14.6%
Total	21	100.0%	3	100.0%	0	0.0%	24	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$531	6.8%	\$2,398	100.0%	\$0	0.0%	\$2,929	28.7%	6.1%	7.7%
Moderate	3,073	39.3%	0	0.0%	0	0.0%	3,073	30.1%	33.9%	21.5%
Middle	3,249	41.6%	0	0.0%	0	0.0%	3,249	31.8%	39.1%	46.4%
Upper	960	12.3%	0	0.0%	0	0.0%	960	9.4%	20.9%	24.4%
Total	\$7,813	100.0%	\$2,398	100.0%	\$0	0.0%	\$10,211	100.0%	100.0%	100.0%

Northeast originated 28 loans totaling \$20.9 million within the Boston CSA Assessment Area, with 24 of these loans totaling \$10.2 million secured by residential and mixed-use properties. The residential properties in and outside the Boston CSA Assessment Area contained 370 housing units, of which 242 were inside the assessment area.

Particularly with the recent addition of this assessment area, the institution demonstrated a strong commitment to meeting the credit needs of LMI geographies. Despite not being a HMDA reporter, the aggregate HMDA data was used as a proxy in comparing the institution's multi-family residential mortgage lending. The institution's percentage distribution of lending for the HMDA reportable multi-family mortgage loans in LMI geographies for the review period exceeded that of the 2008 and 2009 aggregate reporters in both number and dollar amount.

A review of the geographic distribution of the institution's multi-family lending outside the assessment area further demonstrates Northeast's dedication to serving LMI geographies. There were 4 loans totaling \$3.2 million by number and dollar amount, respectively, outside the Boston CSA Assessment Area, and all were located in LMI geographies.

A review of the four commercial loans, totaling \$10.7 million, originated in the Boston CSA Assessment Area during the review period indicated that two loans, or 50 percent, totaling \$3 million, were originated in low-income geographies.

The institution exceeded the standard for a satisfactory performance in this criterion.

Other Information

Innovative and/or Flexible Lending Practices

Northeast offers many mortgage products that target LMI borrowers and areas. Many of these products are based on past and/or current economic and community credit needs, and have community development as an integral component. Table 26 lists the types of innovative and flexible lending programs offered by the institution.

Table 26 – Innovative and Flexible Loan Programs Boston CSA Assessment Area	
Type of Program	Description
Section 8 Housing Subsidy Program	Affordable housing
Single Room Occupancy Programs	Affordable housing
Rehabilitation Program	Distressed real estate
Student Housing Program	Affordable housing
Empowerment Zone & Renewal Zone	Revitalization/Stabilization
Construction Loan Participation Program	Affordable housing/Revitalization/Stabilization
Small Business Loans	Unmet credit needs
Commercial Loan Program	Revitalization/Stabilization
Loan Modification Program	Interest rate
Restructured Loan Program	Terms/conditions
Small Non-Residential Real Estate Loans	Unique credit needs

Special Assets Group

Loan Modification Program

The institution originated three loans totaling \$2.7 million, and nine loans totaling \$4.7 million, under the Loan Modification Program and the Restructured Loan Program, respectively. Most of the loans had community development components, including Single Room Occupancy dwellings located in LMI geographies. These two programs helped to contribute to the revitalization and stabilization of the communities.

Community Development Activities In Boston CSA Assessment Area

The institution continues to be very active in community development lending. During the review period, the institution engaged in community development lending through direct lending and multi-family lending.

Community Development Lending

Northeast granted a total of 33 community development loans totaling \$17.9 million, of which 27 loans (70 percent) totaling \$13.6 million (76 percent) were located inside the Boston CSA Assessment Area. As Northeast satisfied the community development lending expectations in the assessment area, credit was given to community development lending outside the Boston CSA

Assessment Area. Table 27 lists the community development loans, via the innovative and flexible loan programs offered by the institution, in this assessment area.

Table 27 - Community Development Loans Boston CSA Assessment Area 01/01/2008 – 06/30/2010					
Type of Program	All AA#2 Boston CSA		In AA#2 Boston CSA		Description
	No.	\$(000)	No.	\$(000)	
Multi-family Housing/LMI Rentals	19	\$9,166	15	\$6,002	Affordable Housing
Section 8 Housing Subsidy	6	3,332	4	2,188	Affordable Housing
Single Room Occupancy	3	862	3	862	Affordable Housing
Rehabilitation	2	1,207	2	1,207	Distressed Real Estate
Student Housing	0	0	0	0	Affordable Housing
Empowerment & Renewal	3	3,328	3	3,328	Revitalization/Stabilization
Construction Participation Loans	0	0	0	0	Aff. Housing/Revitaliz./Stabiliz.
Total Community Development	33	\$17,895	27	\$13,587	

In addition, Northeast granted a total of 96 loans totaling \$102.7 million within the Combined Assessment Area, of which 27 loans (28 percent) totaling \$13.4 million (13 percent) were granted within the Boston CSA Assessment Area and represented a positive contribution to the community.

Multi-family Lending

The institution originated 19 loans totaling \$9.2 million in LMI geographies, of which 15 totaling \$6 million were originated inside the Boston CSA Assessment Area. These loans provided rental units affordable to LMI persons.

Section 8 Housing Subsidy Program

Six loans totaling \$3.3 million were originated under the Section 8 program, with four loans totaling \$2.2 million situated in the assessment area.

Single Room Occupancy Program

Three applicable loans totaling \$862 thousand were originated in the Boston CSA Assessment Area.

Rehabilitation Program

Two applicable loans totaling \$1.2 million were originated in the Boston CSA Assessment Area.

Empowerment & Renewal Zone

Three applicable loans totaling \$3.3 million were originated in the Boston CSA Assessment Area.

Qualified Investments and Donations

The areas reviewed under this section consisted of the institution's investment and grant activity in the Boston CSA Assessment Area.

The institution contributed approximately \$18 thousand in grants and charitable contributions to various organizations in this assessment area. Funds were disbursed to community development organizations whose primary purposes were to assist LMI persons in obtaining credit counseling, financial education, and job training.

Community Development Services

The area reviewed under this section consisted of the institution's participation and involvement of community development services in the Boston CSA Assessment Area.

Northeast's community development services are responsive to the needs of its community. Representatives from the institution actively participate in community development organizations that promote economic and financial development. In addition, officers serve on boards and committees of a number of community development organizations in the assessment area.

Appendix A

Scope of Examination

SCOPE OF EXAMINATION		
Full Scope		
TIME PERIOD REVIEWED:	January 1, 2008 through June 30, 2010	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED
Northeast Community Bank		Multifamily, Mixed-Use, Commercial, Community Development Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
None		

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED ¹	OTHER INFORMATION
New York-Newark-Bridgeport, NY-NJ-CT-PA CSA	Full Scope	None	None
Boston-Worcester-Manchester, MA-RI-NH CSA	Full Scope	None	None

¹ There is a statutory requirement that the written evaluation of a multistate institution's performance must list the individual branches examined in each state.

Appendix B

Summary of State and Multistate Metropolitan Area Ratings

State or Multistate Metropolitan Area Name	Lending Test Rating	Community Development Test Rating	Overall State Rating
New York	Outstanding	Outstanding	Outstanding
Massachusetts	Outstanding	Outstanding	Outstanding

CRA Rating Definitions

There are five separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the intermediate small institution test for intermediate small savings associations; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions. OTS will assign an institution one of the four assigned ratings required by Section 807 of the CRA:

1. "Outstanding record of meeting community credit needs."
2. "Satisfactory record of meeting community credit needs."
3. "Needs to improve record of meeting community credit needs."
4. "Substantial noncompliance in meeting community credit needs."

OTS judges an institution's performance under the test and standards in the rule in the context of information about the institution, its community, its competitors, and its peers. Among the factors to evaluate in an examination are the economic and demographic characteristics of the assessment area(s); the lending, investment, service, and community development opportunities in the assessment area(s); the institution's product offerings and business strategy; the institution's capacity and constraints; the prior performance of the institution; in appropriate circumstances, the performance of a similarly situated institution; and other relevant information. An institution's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile. In addition, OTS adjusts the evaluation of an institution's performance under the applicable assessment method in accordance with §563e.21 and §563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.