FEDERAL RESERVE SYSTEM

Queens County Bancorp, Inc.
Flushing, New York

Order Approving Notice to Acquire a Savings Association and to Engage in Nonbanking Activities

Queens County Bancorp, Inc. ("Bancorp"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under sections 4(c)(8) and 4(j) of the BHC Act (12 U.S.C. §§ 1843(c)(8) and 1843(j)) and section 225.24 of the Board's Regulation Y to acquire all the voting shares of Haven Bancorp, Inc., Westbury, New York ("Haven"), and thereby indirectly acquire its subsidiary savings association, CFS Bank, Woodhaven, New York, ("CFS Bank").[1] Bancorp also has requested the Board's approval to acquire indirectly CFS Investments, Inc. ("CFS Investments") and thereby engage in providing securities brokerage services, and Columbia Preferred Capital Corporation ("CPCC") and thereby engage in extending credit and servicing loans and activities related to extending credit.

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[1] Bancorp intends to merge its wholly owned subsidiary bank, Queens County Savings Bank, Flushing, New York ("QCSB"), and CFS Bank, with QCSB remaining as the surviving institution. The merger is subject to approval by the Federal Deposit Insurance Corporation ("FDIC") under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c))("Bank Merger Act") and by the New York State Banking Department ("NYSBD"). After consummation of the proposal, Bancorp will change its name to New York Community Bancorp, Inc.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (65 Federal Register 50,992 (2000)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4 of the BHC Act.

Bancorp, with total consolidated assets of $2 billion, operates a single subsidiary bank, QCSB, which is the 50th largest depository institution in New York State, controlling deposits of $1 billion, representing less than 1 percent of total deposits in insured depository institutions in the state ("state deposits").[2] Haven's subsidiary savings association, CFS Bank, is the 35th largest depository institution in the state, controlling deposits of $2.1 billion, representing less than 1 percent of state deposits. On consummation of the proposal, Bancorp would become the 22nd largest depository organization in New York State, controlling deposits of
$3 billion.

The Board has previously determined by regulation that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[3] The Board has also determined that securities brokerage activities, extending credit and servicing loans, and activities related to extending credit, are closely related to banking.[4] Bancorp has committed to conform the activities of CFS Bank and Haven to, and conduct those

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[2] Asset and deposit data are as of June 30, 2000. Ranking data are as of March 3, 2000. In this context, depository institutions include commercial banks, savings banks, and savings associations.

[3] 12 C.F.R. 225.28(b)(4).

[4] See 12 C.F.R. 225.28(b)(1), (2), and (7)(i).

activities in accordance with, the requirements of section 4(c)(8) of the BHC Act and Regulation Y.

In reviewing the proposal, the Board is required by section 4(j)(2)(A) of the BHC Act to determine that the acquisition of Haven by Bancorp "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[5] As part of its evaluation of the public interest factors, the Board reviews the financial and managerial resources of the companies involved.[6]

Financial and Managerial Considerations

The Board has carefully reviewed the financial and managerial resources of Bancorp and Haven and their respective subsidiaries and the effect the transaction would have on such resources in light of all the facts of record. The Board has considered, among other things, confidential reports of examination and other supervisory information received from the primary federal supervisors of the organizations. The Board also has considered publicly available financial and other information on the organizations and their subsidiaries, and all the information submitted on the financial and managerial aspects of the proposal by Bancorp. Based on all the facts of record, the Board concludes that the financial and managerial resources of the organizations involved are consistent with approval.

Competitive Considerations

As part of its consideration of the public interest factors under section 4 of the BHC Act, the Board has considered carefully the competitive effects of the

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[5] 12 U.S.C. §1843(j)(2)(A).

[6] See 12 C.F.R. 225.26.

proposal in light of all the facts of record.[7] QCSB and CFS Bank compete directly in the Metropolitan New York/New Jersey banking market ("New York banking market").[8] On consummation of the proposal, Bancorp would become the 27th largest depository institution in the market, controlling deposits of approximately $3 billion, representing less than 1 percent of total deposits in depository institutions in the market ("market deposits").[9] The Herfindahl-Hirschman Index ("HHI") for the New York banking market would remain unchanged at 631 points. Market concentration, as measured by the HHI, would remain unconcentrated and within the parameters contained in the Department of Justice Merger Guidelines ("DOJ Guidelines") and the Board's precedent.[10] Based on all

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7 See First Hawaiian, Inc., 79 Federal Reserve Bulletin 966 (1993).

8 The New York banking market is defined as Bronx, Dutchess, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, Sullivan, Ulster, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, Warren, and a portion of Mercer Counties in New Jersey; Pike County in Pennsylvania and portions of Fairfield and Litchfield Counties in Connecticut.

9 Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board has previously indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks.
See WM Bancorp, 76 Federal Reserve Bulletin 788 (1990); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Because the deposits of Haven would be controlled by a commercial banking organization after consummation, these deposits are included at 100 percent in the calculation of Bancorp's post-consummation share of market deposits. See Norwest Corporation, 78 Federal Reserve Bulletin 452 (1992); First Banks, Inc., 76 Federal Reserve Bulletin 669, 670 n.9 (1990).

10 Under the DOJ Guidelines, 49 Federal Register 26,823 (June 29, 1984), a market in which the post-merger HHI is less than 1000 is considered to be unconcentrated. The Department of Justice has informed the Board that a bank

the facts of record, the Board concludes that consummation of the proposal would not result in any significantly adverse effect on competition or on the concentration of banking resources in the New York banking market or any other relevant banking market.

Convenience and Needs Considerations

In acting on notices to acquire a savings association, the Board reviews the records of performance of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 et seq.).[11] The CRA requires the appropriate federal financial supervisory agency to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operations of such institution," and to take this record into account in its evaluation of bank holding company applications.[12] The Board has carefully considered the convenience and needs factor and the CRA performance records of the subsidiary depository institutions of Bancorp and Haven in light of all the facts of record, including public comments on the proposal.

The Board has received comments from Inner City Press/Community on the Move ("ICP") contending that QCSB and CFS Bank have failed to make an adequate amount of community development investments in low- and moderate-income ("LMI") communities. ICP notes that QCSB received a "needs to

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merger or acquisition will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial entities.

[11] See, e.g., Banc One Corporation, 83 Federal Reserve Bulletin 602 (1997).

improve" rating on the investment test portion of its most recent CRA examination by its primary federal supervisory agency, the Federal Deposit Insurance Corporation ("FDIC"), as of September 9, 1999. ICP also notes that CFS Bank received a "low satisfactory" rating on the investment test portion, and a "needs to improve" rating with respect to the activities of its Connecticut branches, on its most recent CRA examination by its primary federal supervisor, the Office of Thrift Supervision ("OTS"), as of April 26, 1999. ICP asserts that the sale or closure of CFS Bank's 15 branches in New Jersey and Connecticut would not serve the convenience and needs of the community. Finally, ICP contends, based in part on its analysis of data filed under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 et seq.) ("HMDA"), that QCSB engages in the exportation of capital from LMI communities to more affluent communities and that certain aspects of QCSB's lending record indicate illegal discriminatory lending practices.

A. CRA Performance Examinations

As provided in the CRA, the Board evaluates an institution's record of performance in light of examinations of the CRA performance records of the institution conducted by the appropriate federal supervisory agency. An institution's most recent CRA performance examination is a particularly important consideration in the notice process, because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisory agency.[13]

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[12] 12 U.S.C. § 2903.

[13] See Interagency Questions and Answers Regarding Community Reinvestment, 65 Federal Register 25,088 and 25,107 (2000) ("Interagency Questions and Answers").

Unless otherwise provided under applicable CRA regulations, examiners review an institution's performance under the lending, investment, and service tests. An institution's performance under these tests forms the basis for its overall CRA rating.[14] In determining an institution's overall CRA rating, examiners generally accord greater consideration to the institution's performance under the lending test than to the investment or service tests.

B. QCSB's Record of Performance

At QCSB's most recent CRA examination, FDIC examiners reviewed the bank's record of meeting the credit needs of its community for the period from January 1997 to September 1999. Although noting certain weaknesses in QCSB's community investment portfolio, examiners rated the bank "satisfactory" overall based on its total performance in community lending, investment, and service throughout its entire assessment area. In particular, examiners characterized QCSB as a leader in lending volume and noted that the bank consistently lent substantially more in its assessment area than other institutions of comparable size. Moreover, examiners found QCSB to be committed to meeting the credit needs of its assessment area.

QCSB received a "high satisfactory" rating under the lending test. Examiners found that QCSB had excellent responsiveness to community credit needs in terms of volume and amount loaned in its assessment area. In 1997 and 1998, QCSB's overall market rank for total loan originations in Queens and New York Counties was in the top 15 percent of reporting institutions. During that same period, QCSB made approximately $1 billion in home mortgage loans,[15] of

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14 See Interagency Questions and Answers, 65 Federal Register 25,099.

15 In this context, "home mortgage loan" means loans provided for home purchase, refinance, home improvement and multifamily housing.

which more than 73 percent by number and dollar amount were in its assessment area.

Examiners stated that the distribution of QCSB's lending reflected good penetration by geography and by income of the borrower. In 1997 and 1998, QCSB's lending in LMI areas represented more than 20 percent of its total lending, more than double the percentage for all lenders in those areas ("lenders in the aggregate"). Examiners characterized QCSB as one of the assessment area's largest LMI area lenders. In 1998, approximately 33 percent of all loans originated by QCSB where borrower information was collected were made to LMI individuals.

Examiners commended QCSB's record of community development lending, particularly lending for multifamily housing for LMI individuals. During the review period, more than 98 percent of loans made by QCSB in the assessment area were for multifamily housing. From April 1997 to December 1999, QCSB originated 86 loans, totaling approximately $104 million, for multifamily financing on properties in LMI areas. QCSB has also extended credit and provided loans to community organizations that rehabilitate affordable housing throughout New York City and provided outreach services to LMI individuals and elderly members of the community.

QCSB participated in a number of programs to provide innovative and flexible lending practices to its communities. QCSB offered a special type of residential mortgage loan that included no income verification. Furthermore, QCSB offered loans under a special program designed by the State of New York Mortgage Association that was available to first-time buyers of certain homes and condominiums.

Examiners noted that QCSB provided multiple delivery systems in its assessment area to offer accessible banking service. QCSB operated eleven fullservice branches and two customer service centers in neighborhood convenience stores. All branches maintained Saturday and extended evening business hours. QCSB did not close any branches during the review period. QCSB also operated 11 ATMs in its assessment area. Furthermore, QCSB offered a 24-hour bank-by-telephone program that allowed customers to access a wide variety of banking services by telephone. Examiners reported that the ATM and telephone network provided QCSB with alternative delivery systems that were accessible to essentially all portions of the bank's assessment area.

As previously noted, examiners found some deficiencies in QCSB's portfolio of community investments and rated the bank "needs to improve" under the investment test. Although QCSB made investments in community development corporations and other local organizations dedicated to small business, affordable housing development, and lending, examiners specifically noted that the bank's amount of qualified community development investments was inadequate for its size. Since the time of the examination, QCSB has taken steps to improve and increase its investment activities. According to QCSB, it has increased its level of qualified investments to more than $4 million, an increase of more than 75 percent. QCSB's new investments include organizations that provide educational and housing assistance to persons in LMI communities.

As noted, in determining the overall performance of QCSB under the CRA, examiners weighed its very strong performance in lending in its community, its strong performance in providing banking services in the community, and its weaker performance in making community development investments. On balance, examiners determined that the performance of QCSB under the CRA was "satisfactory." The Board has also considered that, since receiving criticism of its community investment activities, QCSB has taken steps to address this weakness in its overall satisfactory performance record.

C. CFS Bank's Record of Performance

CFS Bank's most recent examination by the OTS for CRA was in April 1999. In addition to evaluating CFS Bank's overall performance, the OTS assigned separate ratings to reflect the bank's branch operations in New Jersey, New York, and Connecticut. Although noting certain deficiencies in its level of qualified investments and operations in Connecticut, the OTS examiners rated the CRA performance of CFS Bank "satisfactory" overall, based on its comprehensive performance in lending, investments, and service in all states in which it operates.

1. CFS Bank's Overall Record of Performance

At CFS Bank's most recent CRA examination, examiners reviewed its performance record from August 1996 to April 1999. Examiners characterized CFS Bank's lending performance as strong and rated it "high satisfactory." Examiners favorably noted that during the reviewed period, CFS Bank increased its lending volume from 1,249 loans in 1997, to 4,020 loans in 1998, or approximately 222 percent. The overall increase in lending produced a corresponding increase in the number of loans in LMI communities.[16] In 1997, CFS Bank had 87 HMDA-reportable loans in LMI communities; in 1998, it had 406 HMDA-reportable loans in LMI communities. Examiners also found that CFS Bank's responsiveness to the mortgage needs of the entire community, including LMI communities, was satisfactory. From August 1996 to March 1999, approximately 60 percent of CFS Bank's residential mortgage loans by number, and 71 percent by dollar amount, were in its assessment area.

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16 Most of the increase in CFS Bank's lending record resulted from the acquisition of Intercounty Mortgage Company in 1997, a high-volume mortgage lender operating in Connecticut, New Jersey, New York, and Pennsylvania.

Examiners also found that CFS Bank's lending record showed good loan penetration by geography, including LMI areas. In 1997, CFS Bank ranked in the top 25 percent of aggregate HMDA lenders in lending to LMI communities in its assessment area. Furthermore, between 1997 and 1998, the number and dollar amount of CFS Bank's lending in LMI areas increased by more than 350 percent. Examiners also found that CFS Bank achieved good results in making loans to LMI borrowers. From 1997 to 1998, the total number of loans to LMI borrowers increased from 163 to 622. During that same period, the dollar amount of the bank's loans to LMI borrowers increased from $14.3 million to $61.2 million.

The examination report noted CFS Bank's record of using innovative and flexible lending practices to serve the credit needs of its community. CFS Bank participated in the New York City Housing Partnership New Homes Program, which subsidized the purchase of homes for certain first-time buyers through financing from conventional loan products offered by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. CFS Bank also offered "credit rehabilitation" loans that used flexible underwriting criteria to assist persons who might not otherwise qualify for conventional mortgage loans.

CFS Bank received a "high satisfactory" rating for the service test. Examiners favorably commented on CFS Bank's expansion into and provision of banking services to LMI communities. At the time of the examination, CFS Bank maintained 8 traditional branches and 59 supermarket branches, 10 of which were located in, or in areas adjacent to, LMI areas. During the review period, one branch was closed, but customers were served by a supermarket branch across the street. Supermarket and traditional branches offered a wide variety of flexible hours and services, including weekend and evening hours, ATMs, money transfers, and certain utility payment programs.

Examiners stated that CFS Bank was actively involved in community development services for organizations that encouraged local economic development or provided assistance to LMI individuals.

Examiners assigned CFS bank a "low satisfactory" rating on the investment test portion of the evaluation. During the examination period, CFS Bank made some qualified investments, including a $1 million investment in a community development organization that acquired, developed, and operated LMI residential rental properties. CFS Bank also donated to associations that provided housing assistance to LMI individuals. CFS Bank has represented that it has increased its level of CRA qualified investments. For example, CFS Bank has invested approximately $2 million in mortgage-backed securities representing interests in loans in LMI areas in Connecticut. CFS Bank has also represented that it would continue to seek CRA-qualified investments for its portfolio in accordance with safe and sound banking operations.

2. CFS Bank's Record of Performance in Connecticut, New York, and New Jersey

In addition to evaluating CFS Bank's overall performance, examiners assigned individual ratings to the bank's operations in New Jersey, New York, and Connecticut. As of June 30, 1999, branches in New York accounted for 94 percent of CFS Bank's total insured deposits, and branches in New Jersey and Connecticut accounted for approximately 3 percent each. For New Jersey and New York, the OTS examiners rated CFS Bank's CRA record "satisfactory." In Connecticut, however, CFS Bank received a "needs to improve" rating.

In New Jersey and New York, examiners commented favorably on CFS Bank's achievements under the lending and service tests, where CFS Bank received "high satisfactory" ratings under the lending test. From 1997 to 1998, the total number of borrowers of CFS Bank in LMI areas in New Jersey and New York increased approximately 380 percent, while total dollars lent increased from approximately $26.6 million to $80.1 million. Using HMDA data, examiners found that in 1997, CFS Bank ranked in the top 25 percent of aggregate lenders to LMI borrowers in New York. CFS Bank also participated in community development lending in New York. During the examination period, CFS Bank had 48 loans totaling $62 million that were secured by multifamily apartment buildings in New York City. Furthermore, CFS Bank extended a $500,000 line of credit to a community development corporation that provided financing to small businesses.

Under the service test, CFS Bank also received "high satisfactory" ratings for its New Jersey and New York operations. In New Jersey, CFS Bank operated 8 supermarket branches, 3 of which were located in LMI areas. In New York, CFS Bank operated 52 standard retail or supermarket branches, 7 of which were in LMI areas. In New Jersey and New York, examiners found that branch convenience, products, accessibility, and services were essentially identical to those of CFS Bank's consolidated operations. Examiners further noted that CFS Bank personnel in New York, including directors, were actively involved in organizations that offer educational, economic, and housing assistance to LMI individuals.

Examiners rated CFS Bank "needs to improve" for its overall CRA performance in Connecticut, including its performance under the investment and lending tests. [17] Examiners noted that some of the issues that influenced CFS Bank's CRA ratings in Connecticut were caused by the relative newness its

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[17] An examined institution need not participate in innovative or complex qualified investments to demonstrate a satisfactory record of performance under the CRA. See Interagency Questions and Answers, 65 Federal Register 25,106.

operations in that state. At the time of the examination, CFS Bank maintained only 7 supermarket branches in Connecticut, all of which were less than four years old, and four of which were less than two years old. CFS Bank has represented that it has increased its lending operations and qualified investments in Connecticut. Since its last examination, CFS Bank has purchased approximately $24 million of multifamily loans in LMI areas in Connecticut. As noted above, CFS Bank has also invested $2 million in mortgage-backed securities that represent interests in loans in Connecticut LMI areas.

D. Branch Closings

ICP also expresses concern that consummation of the proposal would result in the closure of CFS Bank branches in Connecticut and New Jersey. Bancorp has represented that it does not intend to close any of the Connecticut or New Jersey branches, but is likely to sell them. Bancorp has provided preliminary and confidential information on the integration of CFS Bank into QCSB's existing branch system. Bancorp has also committed to provide the Board with details concerning the sale or other disposition of the former CFS Bank branches in Connecticut and New Jersey.

The Board has carefully considered all the facts concerning branch closings, including the preliminary branch integration information submitted by Bancorp, and Bancorp's record of opening and closing branches. Examiners at the most recent CRA examination of QCSB reviewed its record of opening and closing branches and found that no branches were closed from 1997 to 1999. Furthermore, examiners noted that QCSB had opened two new branches during the examination period, one of which was located in a census tract adjacent to an LMI census tract. The Board notes that any branches closed would be closed pursuant to the branch closing policies of QCSB and CFS Bank, which require consideration of the community's needs and the impact of the closing on the neighborhood. The FDIC and OTS have reviewed the branch closing policies of QCSB and CFS Bank respectively, and found them satisfactory.

The Board also has considered that federal banking law provides a specific mechanism for addressing branch closings. Federal law requires an insured depository institution to provide notice to the public and to the appropriate federal supervisor before closing a branch.[18] The law does not authorize federal supervisory agencies to prevent the closing of any branch. Any branch closings resulting from the proposal will be considered by the appropriate federal supervisor at the next CRA examination of the relevant subsidiary depository institution.

E. HMDA Data

The Board also has considered carefully the lending record of Bancorp in light of ICP's comments regarding 1999 HMDA data for QCSB. ICP contends that QCSB's lending and deposit-taking practices amount to the exportation of capital from Queens County to New York County.[19] ICP also contends that QCSB originates a larger proportion of

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18 Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closings (64 Federal Register 34,844 (1999)), requires that a bank provide the public with at least 30 days notice and the appropriate federal supervisory agency with at least 90 days notice before the date of the proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

19 ICP alleges that in Queens County, where QCSB collects most of its deposits, the bank only originates 1-4 family housing loans while in the neighboring, wealthier New York County, the bank originates multifamily housing loans that are generally larger than 1-4 family loans. Furthermore, ICP notes that QCSB did not extend any multifamily loans in low-income census tracts.

1-4 family loans in Queens County to whites than to minorities.

The 1999 HMDA data indicates that QCSB originated multifamily loans in Queens and New York Counties and that the number of multifamily loans originated in both counties was roughly equal.[20] The Board also has considered other forms of residential lending that are not reflected in the 1999 HMDA data. QCSB has represented that in addition to traditional 1-4 family and multifamily lending, it provides supplemental residential financing through Mortgage, Extension, and Consolidation Agreement ("MECA") loans.[21] QCSB has provided additional data demonstrating that in 1999, it provided more than $570 million in combined HMDA/MECA financing, of which 82 percent by number and 80 percent by amount were in its assessment areas. In 1999, QCSB extended 139 MECA loans in Queens County, totaling approximately $223.7 million, including 31 in LMI census tracts. QCSB's combined HMDA and MECA lending records indicate that the bank provides for and assists in meeting the credit needs of its entire community, including Queens County.

The HMDA data for QCSB reflect certain disparities in the rates of loan origination by racial group.[22] The Board is concerned when the record of an institution indicates disparities in lending and believes that all banks

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[20] In 1999, QCSB extended 6 multifamily HMDA loans in New York County, compared with 5 such loans in Queens County.

[21] A MECA is an agreement between a lender and a borrower that modifies the terms of an existing loan by, for example, extending the final repayment date. MECAs do not involve lending additional money and are not reported under HMDA, but are regarded as loans and may be considered in evaluating an institution's CRA performance. <u>See</u> Interagency Questions and Answers, 65 <u>Federal</u> <u>Register</u> 25,100.

[22] For example, QCSB's percentages of loans to African Americans and Hispanics are below the percentages for lenders in the aggregate for 1999.

are obligated to ensure their lending practices are based on criteria that ensure not only safe and sound lending but also equal access to credit by creditworthy applicants regardless of their race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community, because these data cover only a few categories of housing–related lending. HMDA data, moreover, provide only limited information about the covered loans.[23] HMDA data, therefore, have limitations that make them an insufficient basis, absent other information, for concluding that an institution has not adequately assisted in meeting its community's credit needs or has engaged in illegal lending discrimination.

Because of the limitations of HMDA data, the Board has carefully reviewed other information concerning QCSB's record of lending to minority and LMI individuals. In particular, the Board has carefully reviewed examination reports, which provide on-site evaluations of compliance with the fair lending laws and the overall lending and community development activities of the banks. At QCSB's most recent CRA performance evaluation, examiners found that the bank had complied with fair lending laws. CRA examiners also found that QCSB had excellent responsiveness to the credit needs of its entire community. Furthermore, multifamily loans, rather than 1-4 family loans, comprise the majority of QCSB's lending. In 1997 and 1998, more than 83 percent of QCSB's total HMDA loans in its assessment area were for multifamily lending. As previously noted, examiners rated QCSB "high satisfactory" for the

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23 The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for an independent assessment of the creditworthiness of applicants. Credit history problems and excessive debt levels relative to income (reasons most frequently cited for a credit denial) are not available from HMDA data.

lending test portion of its last CRA examination. In 1997 and 1998, QCSB extended 20.5 percent and 22 percent, respectively, of its loans in LMI areas, compared with 6.8 percent and 8.1 percent, respectively, for lenders in the aggregate. Furthermore, for HMDA loans reflecting the income of the borrower, examiners found QCSB had excellent penetration among customers of different income levels.

F. Conclusion Regarding Convenience and Needs Factors

In considering the overall CRA performance records of Bancorp and Haven, the Board has carefully evaluated the entire record, including the public comments in this case.[24] The Board particularly notes that the overall CRA ratings for QCSB and CFS Bank are "satisfactory," and that examiners concluded that the institutions' strong performance in lending offset their weaknesses in other types of CRA performance. The Board has also considered actions taken by QCSB and CFS Bank since their last examinations to address weaknesses noted by examiners and to improve their CRA performance. Based on a review of the entire record, including ICP's comments and responses by Bancorp and Haven, relevant reports of examination, HMDA data, and information on branch closings, the Board concludes that convenience and needs considerations, including the CRA performance records of Bancorp, Haven, and their subsidiary depository institutions, are consistent with approval.

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[24] ICP also notes that the NYSBD rated QCSB "low satisfactory" under the lending test and "needs to improve" under the investment test portion at its last examination ("State Examination"), as of June 30, 1998, which evaluated its performance in meeting the credit needs of its entire community pursuant to New York law. The Board notes that the State Examination rated QCSB's performance "satisfactory" overall.

Other Factors

The record indicates that consummation of the proposal would result in benefits to consumers and businesses. The proposal would enable Bancorp to provide its customers and Haven's customers with access to a broader array of products and services, including commercial bank products, in an expanded service area. Among the Haven services that would become available to customers of Bancorp are securities brokerage services and an expanded branch network, including 8 traditional branches in the New York banking market and 15 supermarket branches in Connecticut and New Jersey where Bancorp currently has no branches. In addition, Haven would provide the combined organization with an enhanced capacity to offer
1-4 family residential mortgage loans to complement Bancorp's focus on multifamily lending. Bancorp, in turn, would provide Haven customers increased convenience with experience in multifamily lending, and on-line banking services. Additionally, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies may make potentially profitable investments in nonbanking companies and from permitting banking organizations to allocate their resources in the manner they believe is most efficient when, as in this case, those investments are consistent with the relevant considerations under the BHC Act. Based on all the facts of record, the Board has determined that consummation of this proposal can reasonably be expected to produce public benefits that would outweigh any likely adverse effects under the standard of section 4(j)(2) of the BHC Act.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by Bancorp with all the commitments made in connection with this notice and with all the conditions in this order. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders thereunder. For purposes of this action, the commitments and conditions relied on by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

This transaction shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective November 29, 2000.[25]

(signed)

Robert deV. Frierson
Associate Secretary of the Board

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25 Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley, Meyer, and Gramlich.