



PUBLIC DISCLOSURE

January 04, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Carver Federal Savings Bank
Charter Number 705273

75 West 125th Street
New York, New York 10027-4512

Office of the Comptroller of the Currency

New York - Jersey City
Harborside Financial Center
Plaza 5 Suite 1600
Jersey City, New Jersey 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.

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

The Lending Test is rated: Outstanding

The Community Development Test is rated: Outstanding

The ratings assigned to Carver Federal Savings Bank (CFSB or the Bank) for this Community Reinvestment Act (CRA) performance evaluation are based on the following factors:

- CFSB's lending test rating is outstanding.
 - A majority of loans were originated or purchased inside its AA.
 - The geographic distribution of loans reflects excellent distribution based on the lending needs of the AA.
 - The borrower distribution of loans is excellent.
 - The loan-to-deposit ratio is reasonable.
- CFSB's Community Development (CD) rating is outstanding.
 - The Bank demonstrated excellent responsiveness to AA needs through CD lending, investment, and services.
 - The Bank provided significant CD services by participating in, and sponsoring, workshops and community forums to educate and inform residents on various financial topics.

Scope of Evaluation

The Office of the Comptroller of the Currency (OCC) completed a CRA performance evaluation of CFSB, which includes a lending test and a CD test. The lending test evaluates the Bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. The evaluation period for CFSB's lending test covers its performance from January 1, 2013 to June 30, 2015. Due to changes in the Metropolitan Division (MD) and Metropolitan Statistical Area (MSA) delineations effective January 1, 2014, data from 2013 was analyzed separately from 2014 and 2015 data.

The CD test evaluates the Bank's responsiveness to CD needs in its AA through lending, investments, and services. The evaluation period for its CD test covers from December 4, 2012 to January 4, 2016. The most recent CRA performance evaluation was completed as of December 3, 2012.

The Bank's primarily lending products are business loans and HMDA-reportable loans, which consist of home purchase, home refinance, home improvement and multi-family loans. During the evaluation period, the Bank originated business loans and purchased HMDA-reportable loans. OCC examiners conducted a data integrity review of the Bank's business loan data in November 2015, and determined that the data is reliable. All business loans for the review period were verified.

Description of Institution

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

The Bank currently operates nine full-service branches. CFSB maintains its headquarters, commercial lending offices, community development center, administrative offices, financial literacy center, and three branches in New York County (Manhattan); four branches in Kings County (Brooklyn); and two branches in Queens County. Since the prior CRA performance evaluation, CFSB closed one branch, on November 21, 2015, in East Harlem. The branch was unable to continue operations because it operated from within a store that closed. CFSB has eleven deposit taking Automated Teller Machines (ATMs) in total throughout the AA; seven are located in branch offices and four are stand-alone ATMs. Banking facilities are located in or adjacent to low- and moderate-income geographies and provide needed banking services to the local communities. Branches are accessible, with hours tailored to the needs of the community. All branches are open on Saturday but have varying hours depending on the branch or location.

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

In 2005, the Bank formed a subsidiary, Carver Community Development Corporation (CCDC), which was certified as a Community Development Entity (CDE) engaged in activities that qualified for the New Market Tax Credit (NMTC) Program. The Bank works closely with community groups to identify affordable-housing needs in its AA and to provide the necessary funding to satisfy these needs. The Bank also provides CD grants to qualified organizations. Members of management are contributing members to CD organizations.

As of June 30, 2015, CFSB reported total assets of \$672 million. Assets were centered primarily in loans (\$495 million or 74 percent). Commercial real estate loans accounted for \$294 million, or 59 percent of the loan portfolio; 1-4 family residential loans accounted for \$123 million, or 25 percent of the loan portfolio; and commercial and industrial loans accounted for \$73 million, or 16 percent of the loan portfolio. The investment portfolio consisted of \$78 million in U.S. Treasury and Agency securities and other securities totaling \$25 million. Additionally, CFSB had \$45 million in interest-bearing bank balances.

As of June 30, 2015, CFSB reported total deposits of approximately \$553 million. Tier 1 Capital was \$68 million.

The Bank faces intense competition in the New York AA. The Bank's main competitors include financial service institutions such as savings and loan associations, finance companies, credit unions, and banks, including some of the largest financial institutions in the country. The Federal Deposit Insurance Corporation's Deposit Market Share Report as of June 30, 2015 shows CFSB has approximately 0.05 percent of deposits within their AA. The top five competitors in the market, JP Morgan Chase, Bank of NY Mellon, HSBC Bank, Bank of America, and Citibank, hold 74.70 percent of deposit market share in the AA.

CFSB is not subject to any financial, legal, or regulatory restrictions that could obstruct its ability to help meet the credit needs of its AA. The Bank was rated Outstanding on its last CRA performance evaluation dated December 3, 2012.

Description of Assessment Area

The Bank's AA consists of four counties in New York: New York, Kings, Queens and the Bronx. This designation, based on branch locations and market penetration of loans and deposits in the surrounding towns, is contiguous in nature.

As per the U.S. Department of Labor, the strongest industries in New York City continue to be education and health care. The presence of large hospitals and healthcare systems provides some stability to the NY metropolitan area. However, private sector jobs are currently driving growth in New York City as most recently, private sector employment in New York City rose by 103,100, or 2.8 percent. Job growth in the private sector included professional and business services, leisure and hospitality, financial activities, construction and other services. The unemployment rate in New York City during June 2015 was 6.1 percent while the national average was 5.3 percent.

As discussed with community contacts, the concerns facing individuals in New York City are related to affordable housing, financial education, access to banking and affordable products and services/branch closings/language and cultural barriers.

The Office of Management and Budget (OMB) revised the Metropolitan Area (MA) and census tract geographic definitions and boundaries in February 2013. Those revisions became effective for CRA purposes on January 1, 2014. While the Bank did not alter its AA during the evaluation period, the change impacted the Bank's AA income tract composition and/or HMDA-reportable data geocoding. Therefore, demographic data for 2013 are presented separately from the 2014-2015 data in this evaluation.

Assessment Area prior to January 1, 2014

CFSB's AA consisted of four counties in the New York-White Plains-Wayne, NY-NJ MD #35644: New York, Kings, Queens, and the Bronx. Per 2010 Census data, the New York AA consisted of 2,057 census tracts (CTs); 290 low-income CTs, 569 moderate-income CTs, 624 middle-income CTs, 513 upper-income CTs, and 61 uncategorized CTs. The total number of people living in the AA was 7.7 million; 17.3 percent, or 1.3 million, lived in low-income tracts; 31.3 percent, or 2.4 million, lived in moderate-income tracts; 26.9 percent, or 2 million, lived in middle-income tracts; 24.2 percent or 1.8 million lived in upper-income tracts. As of 2013, the HUD median income for this AA was \$66,000.

According to the 2010 Census data, the assessment area had over 3 million housing units. The majority of the units, 29.8 percent, were located in the upper-income tract, 28.6 percent were in moderate-income tracts, 26.5 percent were in middle-income tracts, and 15.1 percent were located in low-income tracts. Of the 1,719,612 families in the assessment area, 17.3 percent are located in low-income tracts, 31.1 percent are located in moderate-income tracts, 28.2 percent are located in middle-income tracts, and 23.4 percent are located in upper-income tracts. 30.8 percent of these families are considered low-income families, 17.2 percent are considered moderate-income families, 16.6 percent are considered middle-income families, and 35.3 percent are considered upper-income families.

Based on 2013 Business Demographic Data, there are a total of 606,503 established businesses and farms in the New York AA. Of the total number of businesses operating in 2013, approximately 72 percent reported revenues of less than \$1 million. Businesses exceeding \$1 million in revenues accounted for 6 percent of the businesses. Over 22 percent of the businesses did not report any revenues in 2013. About 65 percent of the businesses have an employee base of one to four persons.

Assessment Area after January 1, 2014

For 2014 and 2015, the Bank's AA consist of four counties in the New York-Jersey City-White Plains, NY-NJ MD #35614: New York, Kings, Queens, and the Bronx. For 2014 and 2015, the New York AA consists of 2,057 CTs; 333 low-income CTs, 622 moderate-income CTs, 612 middle-income CTs, 429 upper-income CTs, and 61 uncategorized CTs. The total number of people living in the AA is 7.7 million; 19.9 percent or 1.5 million live in low-income tracts; 33.4 percent or 2.6 million live in moderate-income tracts; 25.6 percent or 2.0 million live in middle-income tracts; 20.9 percent or 1.6 million live in upper-income tracts. As of 2014, the HUD median income for this AA is \$71,300.

For 2014 and 2015, the number of housing units remained stable at over 3 million. The majority of units, 31.0 percent were located in moderate-income tracts, 26.6 percent were located in upper-income tracts, 25.1 percent were located in middle-income tracts, and 17.3 percent were located in low-income tracts. Of the 1,719,612 families in the assessment area, 19.8 percent are located in low-income tracts, 33.5 percent are

located in moderate-income tracts, 27.0 percent are located in middle-income tracts, and 19.8 percent are located in upper-income tracts. 32.8 percent of these families are considered low-income families, 17.5 percent are considered moderate-income families, 16.5 percent are considered middle-income families, and 33.2 percent are considered upper-income families.

For 2014 and 2015, there are 494,363 established businesses in the New York AA. Of the total number of businesses and farms operating in 2014, 76 percent reported revenues of less than \$1 million, 6 percent reported revenues of over \$1 million, and 18 percent of businesses did not report any revenues. For 2014 and 2015, the percentage of businesses with an employee base of one to four was about 68 percent.

Conclusions with Respect to Performance Tests

LENDING TEST

CFSB's lending test rating is outstanding.

- CFSB originated a majority of its loans inside its AA.
- Borrower distribution of loans reflects excellent distribution based on the lending needs of the AA.
- Geographic distribution of loans reflects excellent distribution based on the lending needs of the AA.
- The Bank's loan-to-deposit ratio is reasonable and there were no consumer complaints related to the Bank's credit practices during the review period.

Loan-to-Deposit Ratio

The Bank's quarterly average loan-to-deposit ratio is reasonable considering the institution's lending capacity, lending opportunities in the AAs, and the demographics of the Bank's AAs. In the twelve quarters of the evaluation period, the Bank's average loan-to-deposit ratio was 80.10 percent. During this period, the Bank's net loan-to-deposit ratio ranged from a low of 72.13 percent (June 2013) to a high of 95.12 percent (September 2015).

The Bank's quarterly average loan-to-deposit ratio ranks third out of six peer banks. The peer banks consist of New York thrifts with similar asset size. The average loan-to-deposit ratio of the group was 83.64 percent, ranging from a high of 87.77 percent to a low of 80.17 percent.

Lending in Assessment Area

Overall, CFSB originated or purchased a majority of its loans in dollar amount inside the AA with 74.80 percent, by dollar, inside the AA. In order to evaluate CFSB's performance, we analyzed the number and dollar amount of loans originated and purchased inside versus outside of its AA from January 1, 2013 to June 30, 2015. CFSB originated a substantial majority of business loans by dollar amount and number

in the AA. CFSB purchased a majority of HMDA-reportable loans outside the AA by number, but purchased a majority of HMDA-reportable loans in the AA by dollar amount.

Lending in New York AA January 1, 2013 through June 30, 2015										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	8	16.3	41	83.7	49	\$6,612	24.3	\$20,586	75.7	\$27,198
Home Improvement	3	75.0	1	25.0	4	\$1,225	52.7	\$1,100	47.3	\$2,325
Home Refinance	36	21.2	134	78.8	170	\$67,556	56.4	\$52,220	43.6	\$119,776
Business	109	86.5	17	13.5	126	\$165,677	95.7	\$7,517	4.3	\$173,194
Totals	156	44.7	193	55.3	349	\$241,070	74.8	\$81,423	25.2	\$322,493

Source: HMDA data and sampled business loan data for 2013 and January 1, 2014 through June 30, 2015

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

The distribution of loans reflects excellent distribution to business of different sizes. The assessment of lending to borrowers of different incomes and to businesses of different sizes is based solely on the distribution of loans to businesses of different sizes. A meaningful analysis in relation to home loan borrower distribution could not be performed because a majority did not have borrower income information available. Furthermore, although considered a primary product type for the bank as a whole, HMDA is not a primary product within the AA as a majority of HMDA activity occurred outside the AA. Therefore, the analysis of the HMDA data has limited value.

Business Loans

CFSB's performance reflects excellent distribution to small businesses within the AA. In comparison, for both 2013 and from January 1, 2014 through June 30, 2015, the Bank's ratio exceeds the small business percentages related to the volume and dollar amount.

Borrower Distribution of Loans to Businesses/Farms in New York AA 2013			
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown
% of AA Businesses	71.8%	5.5%	22.7%
% of Bank Loans in AA by #	86.5%	13.5%	0.0%
% of Bank Loans in AA by \$	91.1%	8.9%	0.0%

Source: 2013 Business Demographic Data; Bank generated reports for loans originated or purchased in 2013.

Borrower Distribution of Loans to Businesses/Farms in New York AA January 1, 2014 through June 30, 2015			
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown
% of AA Businesses	75.8%	6.5%	17.7%
% of Bank Loans in AA by #	86.5%	13.5%	0.0%
% of Bank Loans in AA by \$	86.7%	13.3%	0.0%

Source: 2014 and 2015 Business Demographic Data; Bank generated reports for loans originated or purchased from January 1, 2014 through June 30, 2015.

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent distribution based on the lending needs of the AA. Geographic distribution among small businesses exceeds standards and represents excellent distribution. The distribution of home loans to borrowers in the AA is reasonable. The assessment of geographic distribution of loans is weighted toward small business loans as this is the primary product in the AA. Although considered a primary product type for the bank as a whole, HMDA is not a primary product within the AA as a majority of HMDA activity occurred outside the AA. Therefore, the analysis of the HMDA data has limited value.

Business Loans

In 2013, the Bank’s geographic distribution of business loans in low-income geographies exceeds the percentage of businesses located in low-income geographies. During the same time, the Bank’s distribution of loans to businesses in moderate-income geographies exceeds the percentage of businesses in moderate-income geographies. From January 1, 2014 through June 30, 2015, the Bank’s geographic distribution of business loans in low-income geographies exceeds the ratio of businesses located in low-income geographies. During the same time, the Bank’s geographic distribution of business loans in moderate-income geographies exceeds the percentage of businesses located in moderate-income geographies.

Geographic Distribution of Loans to Businesses in New York AA 2013								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business	9.7	10.8	21.0	43.2	22.4	29.7	43.5	16.2

Source: Business loan sample 2013; 2013 Business Demographic Data.

3.5 percent of the AA’s small businesses/farms were located in tracts with N/A income, and CFSB did not extend any small business credit to these tracts.

Geographic Distribution of Loans to Businesses in New York AA From January 1, 2014 through June 30, 2015								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business	11.4%	18.9	23.1	41.2	22.1	18.9	40.1	20.3

Source: Business loan sample From January 1, 2014 through June 30, 2015; 2014 and 2015 Business Demographic Data.

3.3 percent of the AA's small businesses/farms were located in tracts with N/A income, and CFBSB did not extend any small business credit to these tracts.

Home Loans

CFBSB's geographic distribution of home loans in its AA represents reasonable distribution based on the Bank's performance across census tracts of different income levels.

In 2013, the Bank's HMDA data reflects purchased loans, of which, 29 are located in the bank's AA. Given the lack of activity, the analysis of the data has limited value as the HMDA data reflects six home purchase loans, one home improvement loan, 10 home mortgage refinance loans, and 12 multi-family loans. The distribution of home purchase, home improvement and refinances is poor. However, the distribution of multi-family loans is reasonable with 75 percent of the multi-family loans located in low- or moderate-income geographies. The percentage of multi-family loans purchased in low-income census tracts falls within a reasonable percentage below the aggregate industry competitor. The percentage of multi-family loans purchased in moderate-income census tracts exceeds the aggregate industry competitor.

Geographic Distribution of Residential Real Estate Loans in New York AA for 2013								
Census Tract Income Level	Bank				Aggregate			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Loan type	% of Number of Loans	% of Number of Loans	% of Number of Loans	% of Number of Loans	Lending %	Lending %	Lending %	Lending %
Home Purchase	0.0	0.0	16.7	83.3	5.26	21.87	32.80	40.07
Home Improvement	0.0	0.0	100.0*	0.0	6.06	24.84	29.23	39.87
Home Mortgage Refinance	0.0	10.0	10.0	80.0	5.84	21.00	32.50	40.66
Multi-family	16.7	58.3	8.3	16.7	18.50	35.39	18.04	28.07

Source: HMDA data for 2013; 2010 U.S. Census data.

* Represents one loan

From January 1, 2014 through June 30, 2015, the Bank’s HMDA data, again, reflects only purchased loans, of which, 18 are located in the bank’s AA. With the exception of multi-family loans, the analysis of the data is not meaningful since the data reflects no home purchase loans, no home improvement loans, one home mortgage, and 17 multi-family loans. The distribution of multi-family loans is reasonable with 70.6 percent located in low- or moderate-income geographies. The percentage of multi-family loans purchased in low-income census tracts is lower than the aggregate industry competitor but is considered reasonable. The percentage of multi-family loans purchased in moderate-income census tracts exceeds the aggregate industry competitor.

Geographic Distribution of Residential Real Estate Loans in New York AA From January 1, 2014 through June 30, 2015								
	Bank				Aggregate			
Census Tract Income Level	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Loan type	% of Number of Loans	% of Number of Loans	% of Number of Loans	% of Number of Loans	Lending %	Lending %	Lending %	Lending %
Home Purchase	0.0%	0.0%	0.0%	0.0%	5.26	21.87	32.80	40.07
Home Improvement	0.0%	0.0%	0.0%	0.0%	6.06	24.84	29.23	39.87
Home Mortgage Refinance	0.0%	*100.0%	0.0%	0.0%	5.84	21.00	32.50	40.66
Multi-family	11.8%	58.8%	5.9%	23.5%	18.50	35.39	18.04	28.07

Source: HMDA data from January 1, 2014 through June 30, 2015; 2010 U.S. Census data.

* Represents one loan

Responses to Complaints

There were no consumer complaints related to the Bank’s credit practices between December 4, 2012 and January 4, 2016.

COMMUNITY DEVELOPMENT TEST

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

Number and Amount of Community Development Loans

The Bank demonstrated excellent responsiveness to AA needs through CD lending activity. CFSB originated 42 qualified CD loans totaling \$52 million inside the AA since the prior CRA performance evaluation. None of these loans were previously included in the lending test. Many of these loans originated under CFSB’s MTA (Metropolitan Transportation Authority) Program. In this program, CFSB has partnered with the MTA and Empire State Development to help small businesses access capital through the MTA’s Small Business Mentoring Program. The program aims to increase access to

loans and capital for New York's small businesses and provide mentoring services to them with the goal of expanding the pool of companies that can compete for MTA construction contracts. Certain qualified small businesses in the construction industry are eligible to receive working capital loans and an array of complementary services including training, general business, organizational and professional skills development, construction expertise, experience working with MTA construction projects, and fast-track payments. CFSB provides these loans exclusively to minority- and women-owned business enterprises and disadvantaged firms. Other community development loans support community service organizations that target low- and moderate-income individuals and communities and assist organizations that focus on revitalizing and stabilizing LMI geographies within the AA.

Number and Amount of Qualified Investments

CFSB demonstrated excellent responsiveness to AA needs through CD investment activity. The Bank made 44 qualified investments and contributions totaling \$13.8 million inside the AA since the prior CRA performance evaluation. Qualified contributions total \$399 thousand. Of the \$399 thousand, \$63 thousand was donations and grants to organizations that provide community services, affordable housing projects, promote economic development and revitalize or stabilize low- and moderate-income individuals and communities within the AA. The majority of the other contributions were sponsorships and training to similar organizations. Qualified investments total \$13.4 million and comprise nine investments, mainly to community development entities geared towards assisting highly distressed neighborhoods within the Bank's AA. Other investments are geared towards government agencies aiding in affordable housing projects.

Extent to Which the Bank Provides Community Development Services

CFSB demonstrated excellent responsiveness to AA needs through CD service activity. The Bank provided significant community development services by participating in, or sponsoring, workshops and community forums to educate and inform residents on various financial topics. CFSB maintains a Financial Literacy Center where community residents learn about financial empowerment through various seminars and one-on-one counseling. CFSB also collaborates with the New York City Office of Financial Empowerment by providing bank accounts to unbanked families. The Bank participates in a Volunteer Income Tax Assistance program designed for low-income individuals to inform residents on various financial topics and provide tax preparation services to applicable individuals. CFSB also partners with the New York City Housing Authority by participating in a program to encourage unbanked residents to pay their rent at CFSB branches. Finally, the Bank continues to offer Carver Community Cash (CCC). CCC is a service where customers with or without bank accounts can cash checks, access a reloadable debit card, pay bills, send and receive money, and purchase money orders. The target audience of this product is the unbanked and underbanked population. Additionally, CFSB accepts the IDNYC card as a form of municipal identification for those who were previously unable to access bank services.

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

Responsiveness to Community Development Needs

Given the Bank's capacity and availability of community development needs and opportunities within the AA, the Bank demonstrates excellent responsiveness to CD needs in its AA through CD loans, qualified investments, and CD services.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the Bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the Bank's or FSA's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.