



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

October 31, 2011

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Trade Union Bank  
Charter Number 708433

One Harbor Street, Suite 201  
Boston, MA 02210-0000

Office of the Comptroller of the Currency

New England-BOSTON Field Office  
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Boston, Massachusetts 02110

**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.

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

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

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

Summarize the major factors supporting the institution's rating.

- The bank's level of lending, as reflected in its quarterly average net loan-to-deposit ratio, is more than reasonable given the size and financial condition of the institution as well as the assessment areas' credit needs, and relevant competitive factors.
- The majority of originated and purchased loans are within the bank's assessment area.
- The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion in low and moderate-income census tracts.
- The bank's community development performance reflects adequate responsiveness to community development needs given the bank's capacity and community development opportunities within the AAs.

## **Scope of Examination**

First Trade Union Bank (FTUB) was evaluated using Intermediate Small Bank (ISB) examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of the bank's assessment area (AA) through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through qualified CD loans, investments, and services.

The evaluation period for the lending test covers performance from October 1, 2009 through September 30, 2011. The evaluation period for the CD test is from December 28, 2009 through October 31, 2011. CD loans, investments, and services submitted by management were verified to ensure they met the regulatory definition for community development.

FTUB's primary loan products, based on loan purchases and originations during the evaluation period, are residential real estate mortgage loans and commercial loans. Residential real estate loans, including home purchase, refinance, and home improvement loans, represent 79% of the bank's loan originations and/or purchases by number and 38% of the bank's loan originations and/or purchases by dollar. Commercial loans comprise 21% of the bank's loan originations and/or purchases by

number and 62% of the bank's loan originations and/or purchases by dollar. Emphasis was placed on performance in the Massachusetts AA as the majority of branches, deposits, and loans are in this AA.

The bank reports data under the requirements of Home Mortgage Disclosure Act (HMDA). As part of our evaluation, we tested the bank's HMDA data for residential real estate loans originated and purchased and found that the data was reliable. We also tested the bank's business loan data and found that the data was reliable. All residential real estate loans originated and purchased and all loans to businesses made during the assessment period were included in our evaluation of the bank's lending.

## **Description of Institution**

FTUB is an interstate federal stock savings bank headquartered in Boston, Massachusetts (MA), with total assets of \$607 million at September 30, 2011. The bank is collectively held by the New England Carpenters Pension Fund (NECPF), the New England Carpenters Guaranteed Annuity Fund (NECGAF), and the Empire State Carpenters Pension Fund (ESCPF). A significant portion of FTUB's deposits is derived from its relationship with the controlling carpenters unions and trade union members. At September 30, 2011, over 24% of total deposits were held by the controlling carpenter trade unions; the deposit concentration does not include accounts held by individual trade union members. Despite this concentration in deposits, the bank does not have significant loan concentrations related to the controlling carpenters unions and trade union members. FTUB's deposit base continues to be concentrated within MA. As of June 2011, approximately 95% of total deposits were from MA and 5% were from New York (NY). In June 2010, when the bank still had a branch presence in Rhode Island (RI), less than 2% of total deposits were from RI.

At the last CRA examination, FTUB had a total of three full service and one limited service branch. The bank now has three full service branches, one limited service branch, and one commercial loan office. Limited service branches accept all non-cash deposits and loan application referrals. The bank continues to operate one full service branch in Boston, MA and one full service branch in South Boston MA; both branches are in middle income tracts. In 2010, the bank opened a new full service branch in New Hyde Park NY, located in a middle income tract. Also in 2010, the bank opened a new limited service branch in Boston, MA, located in a moderate income tract. In 2011, a full service branch in Hauppauge, NY, located in a moderate income tract, was converted to a commercial loan office. In January 2011, the bank closed a limited-service branch located in a middle income tract in Warwick, RI.

FTUB strives to serve middle markets, small businesses, unions, government entities, and other consumers in their market. FTUB offers a full range of consumer and commercial banking products and services. The majority of FTUB's consumer loan products are offered through referral only; products include fixed and adjustable rate mortgages, second mortgages, home improvement, home equity lines of credit, overdraft protection, and student loans. Commercial loan products include commercial mortgages, term loans, lines of credit, Small Business Administration Guaranteed, and

Letters of Credit. Deposit products include various savings accounts, personal and business checking, money market, certificates of deposit, and individual retirement accounts. The Bank offers a variety of different account access alternatives including telephone banking, bank-by-mail, automated teller machines (ATMs), and online banking with bill pay options. The bank's Internet website [www.ftub.com](http://www.ftub.com), provides detailed information on products and services for both consumers and businesses.

Since the prior CRA examination, the bank has scaled back operations; management used this as a strategic opportunity to better serve the credit needs of customers in the MA and NY AAs. During this period total assets declined by \$83 million (12%), total deposits declined \$78 million (15%), and total loans declined \$142 million (27%). As of September 30, 2011, FTUB reported loans of \$381 million and had a loan to total assets ratio of 63%. Loans in all categories contracted but nonresidential mortgages had the largest reduction in loan balances. Approximately 82% of loan originations during the assessment period were in the MA AAs.

The following table provides a summary of the loan mix.

<b>Loan Portfolio Summary by Loan Product September 30, 2011 Thrift Financial Report</b>	
<b>Loan Category</b>	<b>% of Total Loans and Leases</b>
Residential Mortgage	51%
Nonresidential Mortgage	28%
Commercial Nonmortgage	14%
Residential Construction	3%
Nonresidential Construction	3%
Consumer	1%

During the majority of the evaluation period, the bank's ability to make commercial loans was impacted by the terms of an agreement with their regulatory agency. However, there were no restrictions on residential mortgage lending during the evaluation period. At the last CRA examination, dated December 28, 2009, the bank was rated "Less Than Satisfactory", using Intermediate Small Bank Procedures.

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

FTUB has branches in two states, MA and NY. Prior to January 15, 2011, FTUB also had a branch in RI. The CRA requires a bank to define the AA in which it will be evaluated. We selected the bank's entire AA and reviewed it as five AAs, which include all branches and deposit-taking ATMs, as well as, the contiguous towns/cities around these offices.

The AA in MA was reviewed as three AAs; MA AA1 includes the Boston-Quincy MA Metropolitan Division (MD) 14484, MA AA2 includes the Cambridge-Newton-Framingham MA MD 15764, and MA AA3 includes the Peabody MA MD 37764. The NY AA is comprised of the Nassau-Suffolk MD 35004; referred to as the NY AA. The RI AA is comprised of the RI portion of the Providence-New Bedford-Fall River, RI Metropolitan Statistical Area (MSA) 39300; referred to as the RI AA. Additional

information about these AAs can be found in the bank's public file.

For each state where the bank had a branch during the evaluation period, a full-scope review was conducted for at least one AA in the state. Two of the MA AAs, the NY AA, and the RI AA received a full-scope review. The analysis of the MA AA 1 and MA AA 2 is heavily weighted as the majority of the bank's deposits, loans, and branches are in these two AAs. The NY AA was not weighted as heavily as only one of the three full service branches is located in NY and approximately 5% of deposits and 4% in loans are attributed to operations in NY. Due to the low deposit market share, limited lending, and the January 2011 closure of the RI office, the RI AA received the least weight in the overall rating.

There were no underserved middle income tracts in any of the AAs. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude any low or moderate-income areas.

## **Ratings**

The bank's overall rating is a blend of the state ratings. Performance in the state of MA was most heavily weighted in arriving at overall conclusions as the substantial majority of bank branches, loans, and deposits are located here. Two of the three full service branches are located in MA, and approximately 95% of deposits and 82% in loans are attributed to operations in MA. Refer to the "Selection of Areas for Full-Scope Review" above and the "Scope" section under each State Area Rating section for information regarding how each AA was weighted in arriving at the respective ratings for each test.

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

FTUB performance under the lending test is satisfactory. FTUB's loan-to-deposit ratio is more than reasonable and the majority of loans are originated inside the bank's AA. Overall, the distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. Overall, the geographic distribution of loans reflects reasonable dispersion in the low and moderate-income census tracts.

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, commercial lending restrictions, and AA credit needs. The bank's net loan-to-deposit ratio, which includes purchased loans, averaged 92% over the last eight quarters since the previous CRA examination. During this period the loan-to-deposit ratio ranged from a quarterly low of 81% to a high of 100%. FTUB's loan-to-deposit ratio is slightly higher than the national peer bank median quarterly average of 88% over the same period.

## Lending in Assessment Area

FTUB's lending inside its assessment area meets the standard for satisfactory performance.

The majority of the bank's primary loan products were originated or purchased within its assessment area, with 88% by number and 73% by dollar amount. The following table details the bank's lending within the AA by number and dollar amount of loans.

<b>Table 1 - Lending in FTUB's AA (000's)</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	259	96%	11	4%	270	35,405	91%	3,306	9%	38,711
Home Refinance	57	71%	23	29%	80	18,468	77%	5,575	23%	24,043
Home Improvement	1	50%	1	50%	2	223	49%	231	51%	454
Commercial Loans	72	78%	20	22%	92	66,135	64%	36,419	36%	102,554
Totals	389	88%	55	12%	444	120,231	73%	45,531	27%	165,762

Source: HMDA- reported data and bank collected data of commercial loans from 10/1/2009 to 9/30/11.

## Fair Lending or Other Illegal Credit Practices Review

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

## **State of Massachusetts**

**CRA Rating for Massachusetts: Satisfactory.**

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

**The Community Development test is rated: Satisfactory.**

The major factors that support this rating include:

- The distribution of loans reflects excellent penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects excellent penetration among individuals and excellent penetration among businesses in the low and moderate-income census tracts.
- The bank's community development performance demonstrates adequate responsiveness to community development needs.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN MASSACHUSETTS**

The AA in MA was reviewed as three AAs. In the MA AA 1, which consists of the Boston-Quincy MA MD, FTUB operates two full service branch offices with deposit-taking ATMs and one limited service branch. The AA includes Suffolk, Norfolk, and Plymouth counties and consists of 388 continuous census tracts. The population in the AA is 1.8 million. There are 39 low-income tracts and 93 moderate-income tracts in the AA. The MA AA 2 consists of the Cambridge-Newton-Framingham MA MD. The AA includes Middlesex County and contains 297 continuous census tracts. The population in the AA is approximately 1.5 million. There are 15 low-income tracts and 67 moderate-income tracts in the AA. The MA AA 3, which was reviewed using a limited-scope review, consists of the Peabody MA MD. The AA includes Essex County and is comprised of 156 continuous census tracts. The population in the AA is approximately 723 thousand. There are 15 low-income tracts and 33 moderate-income tracts in the AA. The MA AA meets the requirements of the regulation and does not arbitrarily exclude any low or moderate-income areas.

FTUB operates in a highly competitive market with competition from regional large commercial banks and local savings banks and credit unions. The Federal Deposit Institution Corporation's Deposit Market Share Report, for June 30, 2011, indicates that 145 financial institutions operate branches within the Boston-Cambridge-Quincy MA area. The bank's local competitors include, but are not limited to, Middlesex Savings Bank, Boston Private Bank and Trust Company, Rockland Trust Company, Brookline Bank, Cambridge Savings Bank, and Leader National Bank. Larger regional banks provide further competition and include Bank of America, N.A., JP Morgan Chase Bank, N.A., RBS Citizens N.A., Sovereign Bank, TD Bank, N.A., and BNY Mellon, N.A.



Economic indicators show that the economy in MA has been affected by the national recession. However, the recovery is strengthening and job growth in MA is above the national average. As of September 2011, the unemployment rate in the Boston-Cambridge-Quincy MD, although still elevated at 6.6%, was below the state level of 7.3%. According to Moody's Analytics, MA AA 1 is heavily reliant on the State and Local government, Health Care, Education, and High Tech Sectors for employment. In 2010, top employers in the MA AA 1 included: Brigham and Women's Hospital, Massachusetts General Hospital, Beth Israel Deaconess Medical Center, Boston University, Fidelity Investments, John Hancock Financial Services, and Tufts New England Medical Center. The MA AA 2 is also reliant on the State and Local Government, Education, Health Care, Pharmaceuticals, and High Tech Sectors for employment. The city of Cambridge is home to two internationally prominent universities, Harvard University and the Massachusetts Institute of Technology, which are large and steady employers in the MA AA 2.

While the national downturn in the economy and real estate is being seen in the area, median housing prices remain high relative to median incomes, and affordable housing continues to remain a challenge. In 2009, the average median home price was \$375,700 in the MA AA 1 and \$399,600 in the MA AA 2.

Demographic information of FTUB MA AA 1 and MA AA 2 is broken out in the tables below.

<b>Demographic Information for FTUB MA AA 1</b>								
Income Level	Total #	% Low	% Moderate	% Middle	% Upper			
Geographies (Census Tracts)	388	10%	24%	39%	27%			
Population by Geography	1,812,937	7%	24%	40%	29%			
Owner-Occupied Housing by Geography	395,204	2%	14%	47%	37%			
Businesses by Geography	129,600	8%	15%	37%	40%			
Family Distribution by Income Level	430,748	22%	17%	22%	39%			
Household Distribution by Income Level	696,125	27%	16%	18%	39%			
2000 Census Median Family Income (MFI)		\$62,948	2009 Median Housing*		\$375,700			
			Median Age of Housing		57 years			
HUD Updated MFI: 2009 2010 2011		\$83,900 \$85,200 \$87,600	Families Below the Poverty Level		11.12%			
						Unemployment Rate **		6.6%

Source: 2000 US Census data

\*Data from City-data.com

\*\* Data from US Bureau of Labor Statistics Unemployment Rates for Metropolitan Areas as of September 2011 (Not Seasonally Adjusted) for Boston-Cambridge-Quincy, MA-NH Metropolitan.

Demographic Information for FTUB MA AA 2					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	297	5%	23%	48%	24%
Population by Geography	1,465,396	3%	22%	50%	25%
Owner-Occupied Housing by Geography	346,591	1%	15%	54%	30%
Businesses by Geography	109,332	3%	16%	50%	31%
Family Distribution by Income Level	363,933	19%	18%	23%	40%
Household Distribution by Income Level	561,506	21%	15%	18%	46%
2000 Census Median Family Income (MFI)		\$74,121	2009 Median Housing* Median Age of Housing		\$399,600 57 years
HUD Updated MFI: 2009 2010 2011		\$97,100 \$98,700 \$105,000	Families Below the Poverty Level		6.97%
			Unemployment Rate **		6.6%

Source: 2000 US Census data

\*Data from City-data.com

\*\* Data from US Bureau of Labor Statistics Unemployment Rates for Metropolitan Areas as of September 2011 (Not Seasonally Adjusted) for Boston-Cambridge-Quincy, MA-NH Metropolitan.

## SCOPE OF EVALUATION IN MASSACHUSETTS

Performance in the MA AAs was given the most weight in the overall conclusions as the majority of bank branches, loans, and deposits are located here. Two of the three full service branches are located in the MA AAs with 95% of the bank's total deposits and 82% of loan originations in the MA AAs. MA AA 1 and MA AA 2 were given the most weight in the MA AA as 80% of total loan originations were from these two combined AAs.

In assessing the bank's performance, we contacted a local organization whose purpose is to advocate for family services in the greater Boston area. The contact indicated that along with the continued need for affordable ownership and rental housing, unemployment is an important issue in the area. The level of unemployment has lowered incomes and although there are affordable housing programs in the area, many individuals that are underemployed still cannot afford these options. The contact stated that the real issue is lack of educational and vocational training for positions that can demand a livable wage. Student loan programs and aid for vocational, community, and four year programs as well as additional financial literacy training is needed. Local banks, including FTUB, were perceived positively for their involvement with the organization and in the community.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MASSACHUSETTS**

### **LENDING TEST**

The bank's performance under the lending test in Massachusetts is rated Outstanding.

The distribution of loans reflects excellent penetration among individuals of different income levels and businesses of different sizes. Geographic distribution of loans reflects excellent dispersion in the low and moderate-income census tracts among individuals and businesses.

We found no conspicuous gaps or areas of low penetration in the bank's lending patterns.

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

##### Conclusion for full-scope MA AA 1

###### *Home Loans*

The distribution of home loans to borrowers reflects excellent penetration among borrowers of different income levels. The percent of home purchase loans for both low and moderate-income families is greater than the percent of low and moderate-income families in the AA. The percent of home refinance and improvement loans for moderate-income families also exceeds the percent of moderate-income families in the AA. The percent of home refinance loans is less than the percent of low-income families in the AA and there were no home improvement loans made to low-income families during the assessment period.

The bank's performance is considered outstanding given the lack of affordable housing and high competition in the AA. While the national downturn in the economy and real estate is being seen in the area, median housing prices remain high relative to median incomes. Lack of affordable housing limits lending opportunities. In 2009, the average median home price in the AA was \$375,700. The HUD updated median family income is \$87,600, which means the maximum income that is considered low-income is \$43,800 therefore, low-income borrowers would have difficulty qualifying for a home purchase loans. Additionally, moderate-income families also would encounter difficulty qualifying for home purchase loans with an income range of \$43,800 to a maximum income of \$70,080.

Market competition for home mortgages is high. According to 2010 peer mortgage market share data, mortgage lending in AA 1 is dominated by larger institutions with the top ten institutions holding over 50% of the market share. In 2010, FTUB was ranked 91st in the AA with less than 1% of the market share for home mortgages loans.

The following table shows the distribution of residential real estate loans among

borrowers of different income levels as compared to the percent of families in each income category.

Borrower Income Level	Low		Moderate		Middle		Upper		NA *
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of Number of Loans
Home Purchase	22	44	17	49	22	1	39	1	5
Home Refinance	22	9	17	27	22	18	39	18	28
Home Improvement	22	0	17	100	22	0	39	0	0

Source: HMDA Reportable data from 10/1/2009 to 9/30/2011; 2000 US Census

\*Income not available for 8% of number of loans.

### *Business Loans*

The distribution of loans to businesses/farms reflects excellent penetration among businesses of different sizes. The bank originated 66% of loans by number to businesses/farms with gross annual revenues of \$1 million or less. This meets the demographic data as 66% of the area's businesses/farms are considered small businesses. This is considered more than reasonable given the high level of competition in the MA market area.

The following table shows the distribution of commercial loans among businesses/farms of different sizes in the MA AA 1.

Business/Farms Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses/Farms	66	4	30	100%
% of Bank Loans in AA by #	66	34	0	100%
% of Bank Loans in AA by \$	57	43	0	100%

Source: Bank collected data (10/1/2009 to 9/30/11); 2000 US Census

### Conclusion for full-scope MA AA 2

#### *Home Loans*

The distribution of home loans to borrowers reflects excellent penetration among borrowers of different income levels. The percent of home purchase loans for both low and moderate-income families significantly greater than the percent of low and moderate-income families in the AA. The percent of home refinance loans was less than the percent of low-income families and near to the percent of moderate-income families in the AA. There were no home improvement loans made in the AA during the assessment period.

The bank's performance is considered outstanding given the lack of affordable housing and high competition in the AA. While the national downturn in the economy and real estate is being seen in the area, median housing prices remain high relative to median incomes. Lack of affordable housing limits lending opportunities; in 2009, the average median home price in the AA was \$399,600. The HUD updated median family income is \$105,000, which means the maximum income that is considered low-income is \$52,500 therefore, low-income borrowers would have difficulty qualifying for a home purchase loans. Additionally, moderate-income families also would encounter difficulty qualifying for home purchase loans with an income range of \$52,500 to a maximum income of \$84,000.

Market competition for home mortgages is high. According to 2010 peer mortgage market share data, mortgage lending in the Middlesex AA is dominated by larger institutions with the top ten institutions holding 50% of the market share. In 2010, FTUB had less than 1% of the market share for home mortgages loans.

The following table shows the distribution of residential real estate loans among borrowers of different income levels as compared to the percent of families in each income category in MA AA 2.

<b>Table 2B - Borrower Distribution of Residential Real Estate Loans in MA AA 2</b>									
Borrower Income Level	Low		Moderate		Middle		Upper		NA *
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of Number of Loans
Home Purchase	19	65	18	29	23	1	40	1	4
Home Refinance	19	9	18	13	23	26	40	43	9
Home Improvement	19	0	18	0	23	0	40	0	0

Source: HMDA Reportable data from 10/1/2009 to 9/30/2011; 2000 US Census

\*Income not available for 5% of number of loans.

### *Business Loans*

The distribution of loans to businesses/farms reflects excellent penetration among businesses of different sizes. The bank originated 90% of loans by number to businesses/farms with gross annual revenues of \$1 million or less. This is considered more than reasonable; it exceeds the demographic ratio as 67% of the area's businesses/farms are considered small businesses. This is noteworthy given the high level of competition and given that commercial lending in the MA market area is dominated by larger financial institutions.

The following table shows the distribution of commercial loans among businesses/farms of different sizes in the MA AA 2.

<b>Table 2C - Borrower Distribution of Loans to Businesses/Farms in MA AA 2</b>				
Business/Farms Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses/Farms	67	4	29	100%
% of Bank Loans in AA by #	90	10	0	100%
% of Bank Loans in AA by \$	73	27	0	100%

Source: Bank collected data (10/1/2009 to 9/30/11); 2000 US Census

### Conclusion for limited-scope MA AA 3

Based on a limited-scope review, FTUB's performance under the lending test in MA AA 3 to borrowers of different income levels for residential home purchases, refinances, and home improvement is consistent with the bank's overall lending test rating under the lending test in the full scope areas. Distribution of loans to small businesses is consistent with the bank's overall lending test for the full scope areas.

### **Geographic Distribution of Loans**

#### Conclusion for full-scope MA AA 1

##### *Home Loans*

The bank's geographic distribution of home loans MA AA 1 reflects excellent dispersion in the low and moderate-income census tracts. The percent of FTUB's lending for home purchases significantly exceeds the percent of owner occupied housing in the low-income tracts. The percent of FTUB's lending for home purchases, refinances, and home improvement loans significantly exceeds the percent of owner occupied housing in the moderate-income tracts. There were no refinance or improvement loans in low-income tracts during the assessment period. However, this is reasonable given the lack of affordable housing and the low percent of owner occupied housing in low-income tracts in the AA. Given the low percent of owner occupied housing in the low-income geographies and the bank's excellent geographic dispersion for home purchase loans in the low-income tracts and for all loans in the moderate-income tracts, the overall dispersion is considered excellent.

Following is a table that details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level.

<b>Table 3 – Geographic Distribution of Residential Real Estate Loans in MA AA 1</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	2	12	14	22	47	29	37	37
Home Refinance	2	0	14	27	47	46	37	27
Home Improvement	2	0	14	100	47	0	37	0

Source: HMDA Reportable data from 10/1/2009 to 9/30/2011; 2000 US Census

### *Business Loans*

The bank's geographic distribution of business loans reflects excellent dispersion throughout the low and moderate-income census tracts. FTUB's lending to businesses in low-income geographies is lower than the percent of total businesses with revenues less than \$1 million located there. FTUB's lending to businesses in moderate-income geographies significantly exceeds the percent of total businesses with revenues less than \$1 million located there. Given the low number of businesses in the low-income tracts and the bank's excellent dispersion in the moderate-income tract the overall dispersion is considered excellent.

The following table details the bank's performance as compared to the percentage of businesses in each census tract income level.

<b>Table 3A - Geographic Distribution of Loans to Businesses/Farms in MA AA 1</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Businesses/Farms	8	2	15	27	37	49	40	22

Source: Bank collected data (10/1/2009 to 9/30/11); 2000 US Census

### Conclusion for full-scope MA AA 2

#### *Home Loans*

The bank's geographic distribution of home loans MA AA 2 reflects excellent dispersion in the low and moderate-income census tracts. The percent of FTUB's lending for home purchases exceeds the percent of owner occupied housing in the low-income tracts. The percent of FTUB's lending for home purchases significantly exceeds the percent of owner occupied housing in the moderate-income tracts. The percent of home refinances is less than the percent of owner occupied housing in the moderate-income tracts. No home refinance or improvement loans were made in the low-income geographies and no home improvement loans were made in the moderate-income

geographies during the assessment period. However, this is reasonable given the lack of affordable housing and the low percent of owner occupied housing in low-income tracts in the AA. Given the low percent of owner occupied housing in the low-income geographies and the bank's excellent geographic dispersion for all loans in the moderate-income tracts, the overall dispersion is considered excellent.

The following table details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1	2	15	34	54	51	30	13
Home Refinance	1	0	15	4	54	65	30	31
Home Improvement	1	0	15	0	54	0	30	0

Source: HMDA Reportable data from 10/1/2009 to 9/30/2011; 2000 US Census

### *Business Loans*

The bank's geographic distribution of business loans reflects reasonable dispersion throughout the moderate-income census tracts. FTUB's lending to businesses in low-income geographies exceeds the percent of total businesses with revenues less than \$1 million located there. FTUB's lending to businesses in moderate-income geographies is less than the percent of total businesses with revenues less than \$1 million located there.

Following is a table that details the bank's performance as compared to the percentage of businesses in each census tract income level.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Businesses/Farms	3	5	16	10	50	60	31	25

Source: Bank collected data (10/1/2009 to 9/30/11); 2000 US Census

### Conclusion for limited-scope MA AA 3

Based on a limited scope review, FTUB's performance in the MA AA 3 under the lending test for geographic distribution of residential home purchases, refinances, and home improvement loans is consistent with the bank's overall lending test rating under the full-scope areas in MA. Geographic distribution of small loans to business is



consistent with the bank's lending test rating in the full scope AAs.

### **Responses to Complaints**

FTUB did not receive any CRA complaints during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD test in MA is rated Satisfactory.

FTUB's community development performance demonstrates adequate responsiveness to community development needs in its assessment area through CD loans, investments, and services.

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

The bank's level of CD lending is Satisfactory. FTUB extended one community development loan for \$600 thousand during the evaluation period in the MA AAs. The extension was for a bridge loan for the construction of a building to house qualified low-income community businesses and a nonprofit organization that seeks to increase affordable homeownership across Massachusetts.

During the majority of the evaluation period, the bank's ability to make commercial loans was impacted by the terms of an agreement with their regulatory agency. This precluded FTUB from underwriting new CD loans during the period.

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

The bank made a satisfactory level of community development investments and donations. During the assessment period, the bank made \$3.7 million in investments that benefited the MA AAs. This is comprised of two CD investments and 16 grants/donations to eight community development organizations in the MA AAs.

The first new investment for \$3.6 million provided low and moderate-income (LMI) mortgages in FTUBs MA AAs. The LMI mortgages in the MA AAs were comprised of six LMI loans in MA AA1, three LMI loans in MA AA 2, and four LMI loans in MA AA 3. The second investment provided \$522 thousand in LMI mortgages in FTUBs MA AAs. This was comprised of two LMI loans in the MA AA 3. Additionally, the bank had a one prior period investment with \$100 thousand outstanding as of September 30, 2011. The prior investment was made with a private lender that specializes in financing affordable housing and CD projects throughout MA.

Qualifying community development grants and donations totaled \$37 thousand and benefited eight different community development organizations. Five of the organizations benefit MA AA 1 and three organizations help the greater MA area. While the actual level of bank donations made was higher, these donations met the definition of community development.

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

The bank provides a satisfactory level of community development services. During the evaluation period, two bank officers/employees provided financial expertise and/or leadership services to two qualified community development organizations serving the greater Boston area.

The first employee, a senior officer at the bank, is on the development, finance, and governance committees for an organization that promotes the self-sufficiency and well-being of at-risk families and individuals by providing health and social services. The second employee, also a senior officer at the bank, co-chaired two fundraising events for an organization that helps young people build character and become responsible citizens and leaders. More than 50% of the youth served come from low-income households. In addition to the qualified services above, many bank employees volunteered at numerous other community organizations and events in the MA AAs throughout the assessment period.

### **Responsiveness to Community Development Needs**

Considering the bank's capacity, the need, and the availability of CD opportunities, FTUB's CD performance, through CD loans, investments, and services demonstrates adequate responsiveness to the needs of the MA AAs.

## State of New York

### **CRA Rating for New York: Needs to Improve.**

**The Lending test is rated: Needs to Improve.**

**The Community Development test is rated: Satisfactory.**

The major factors that support this rating include:

- The distribution of loans reflects poor penetration among individuals of different income levels and reasonable penetration among businesses of different sizes.
- The geographic distribution of loans reflects very poor dispersion among individuals and more than reasonable dispersion among businesses in the low and moderate-income census tracts.
- The bank's community development performance demonstrates adequate responsiveness to community development needs.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW YORK**

The NY AA is comprised of the Nassau-Suffolk MD. During the last assessment period the bank had one full service branch in the NY AA; the bank now has one full service branch and one commercial loan office. In 2010, the bank opened a new full service branch in New Hyde Park, NY. Also in 2011, a full service branch located in Hauppauge, NY was converted to a commercial loan office. According to 2000 census data, the NY AA has a total population of approximately 2.8 million people. The AA is comprised of 597 census tracts with 4 low-income tracts and 84 moderate-income census tracts. The AA meets the requirements of the regulation and does not arbitrarily exclude any low or moderate-income areas.

Competition in the NY AA is strong with many banks competing for customers. Competitors in the NY AA include Suffolk County National Bank, First National Bank of Long Island, and New York Commercial Bank. Larger regional banks such as JP Morgan Chase Bank, N.A., Bank of America, N.A., BNY Mellon N.A., and Citibank N.A., also compete for customers in the AA.

Based on the Federal Deposit Insurance Corporation's Deposit Market Share Report, as of June 30, 2011, the top three banks in the AA held over 50% of the deposit market share. For the same period, FTUB had less than 1% of the deposit market share in the AA. This further supports the strong level of competition in the bank's market area.

Economic indicators show that the NY AA economy has been affected by the national recession. Due to the slow recovery, the unemployment rate has remained high; as of September 2011, the unemployment rate for the AA was 8.2%. Per Moody's Analytics, the AA is heavily reliant on the State and Local Government, Health Care, Retail, and

High Tech Sectors for employment. In 2009, top employers in the NY AA included: North Shore-Long Island Jewish Health Systems, Cablevision Systems, Diocese of Rockville Center, SUNY at Stony Brook, Waldbaum's, Sbarro Inc., Winthrop South Nassau University Health System, Verizon Communications, The Home Depot, Inc., and Pathmark Stores.

While the national downturn in the economy and real estate is being seen in the area, median housing prices remain high relative to median incomes and affordable housing continues to remain a challenge. In 2009, the median housing value for a home in Nassau County was \$475,500, and the median housing value for a home in Suffolk County was \$407,500. As of November 2011, the median list price in Nassau County was \$449,000, down 3.6% from the prior year; and, the median list price in Suffolk County was \$390,000, down 2.5% from the prior year.

Demographic information of FTUB's NY AA is broken out in the table below.

Demographic Information for FTUB NY AA					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	597	1%	14%	63%	19%
Population by Geography	2,753,913	1%	6%	64%	19%
Owner-Occupied Housing by Geography	733,628	0%	12%	66%	22%
Businesses by Geography	243,510	1%	13%	62%	24%
Family Distribution by Income Level	712,551	18%	19%	24%	39%
Household Distribution by Income Level	917,338	22%	17%	21%	40%
2000 Census Median Family Income (MFI)		\$76,221	2009 Median Housing Nassau and Suffolk*	\$475,500 and \$407,500	
			Median Age of Housing	51 years	
HUD Updated MFI: 2009 2010 2011		\$101,800 \$103,600 \$106,100	Families Below the Poverty Level	5.45%	
			Unemployment Rate **	8.2%	

Source: 2000 US Census data

\*2009 Data from City-data.com

\* Data from US Bureau of Labor Statistics Unemployment Rates for Metropolitan Areas as of September 2011 (Not Seasonally Adjusted) for New York-Northern New Jersey-Long Island, NY-NJ-PA Metropolitan Statistical Area.

## SCOPE OF EVALUATION IN NEW YORK

Performance in the NY AA was not as heavily weighted as performance in the MA AAs. Only one of the three full service branches is located in NY and approximately 5% of deposits and 4% in loans are attributed to operations in NY. Performance in the MA AAs was most heavily weighted in arriving at overall conclusions as the majority of bank branches, loans, and deposits are located in MA AAs.

In assessing the bank's performance, a community contact was used to help identify the

needs in the AA. Identified needs in AA included, but are not limited to, small business education programs and small business loans. The community contact was from an organization that helps small, primarily Hispanic, businesses in the AA find financing options, advisory assistance, and networking opportunities. The contact indicated that most banks in the area are active participants; however, there is always a need for competitive business loans, additional funding, and volunteers for financial workshops.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW YORK**

### **LENDING TEST**

The bank's performance under the lending test in New York is rated less than satisfactory.

The distribution of loans reflects poor penetration among individuals of different income levels and reasonable penetration among businesses of different sizes. The geographic distribution of loans reflects very poor dispersion among individuals and more than reasonable dispersion among businesses in the low and moderate-income census tracts. More weight was placed on loans to individuals as the bank originated more home mortgage loans than business loans by number.

We found no conspicuous gaps in the bank's lending patterns. Areas of low penetration were due to the limited overall lending in the AA.

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

#### *Home Loans*

The distribution of home loans to borrowers reflects poor penetration among borrowers of different income levels. The percent of home refinance loans for both low and moderate-income families is less than the percent of low and moderate-income families in the AA. No home purchase or improvement loans were made in the low or moderate-income tracts.

The combination of deterioration in the local and national economies and changing credit standards has made lending more challenging. Industry standards now require borrowers to have higher down payments and credit scores. When coupled with high unemployment, this negatively impacts the ability of low and moderate-income borrowers to qualify for loans. While the national downturn in the economy and real estate has affected the area, median housing prices remain high relative to median incomes. Lack of affordable housing limits lending opportunities.

As of November 2011, the median list price for a home in Nassau County was \$449,000 and the median list price in Suffolk County was \$390,000. The HUD updated median family income is \$106,100, which means the maximum income that is considered low-income is \$53,050; therefore, low-income borrowers would have difficulty qualifying

for a home purchase loan. Moderate-income families also would encounter difficulty qualifying for home purchase loans with an income range of \$53,050 to a maximum income of \$84,880.

Market competition for home mortgages is high. According to 2010 peer mortgage market share data, mortgage lending in the NY AA is dominated by larger institutions with the top ten institutions holding over 60% of the market share.

The following table shows the distribution of residential real estate loans among borrowers of different income levels as compared to the percent of families in each income category.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in NY AA</b>									
Borrower Income Level	Low		Moderate		Middle		Upper		NA *
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of Number of Loans
Home Purchase	18	0	19	0	24	17	39	83	0
Home Refinance	18	14	19	14	24	29	39	29	14
Home Improvement	18	0	19	0	24	0	39	0	0

Source: HMDA Reportable data from 10/1/2009 to 9/30/2011; 2000 US Census

\*Income not available for 8% of number of loans.

### *Business Loans*

The distribution of loans to businesses/farms reflects reasonable penetration among businesses of different sizes. The bank originated 50% of loans by number and 76% by dollars to businesses/farms with gross annual revenues of \$1 million or less. This is considered reasonable as it as 71% of the area's businesses/farms are considered small businesses. Additional support for reasonable penetration is given due to the high level of competition for commercial lending in the NY market area.

The following table shows the distribution of commercial loans among businesses/farms of different sizes in the NY AA.

<b>Table 2A - Borrower Distribution of Loans to Businesses/Farms in NY AA</b>				
Business/Farms Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses/Farms	71	29	0	100%
% of Bank Loans in AA by #	50	50	0	100%
% of Bank Loans in AA by \$	76	24	0	100%

Source: Bank collected data (10/1/2009 to 9/30/11); 2000 US Census

## Geographic Distribution of Loans

### Home Loans

The bank's geographic distribution of home loans NY AA reflects very poor dispersion in the low and moderate-income census tracts. FTUB made no home purchase, refinance, or improvement loans in the moderate-income geographies.

Following is a table that details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Table 3 – Geographic Distribution of Residential Real Estate Loans in NY AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0	0	12	0	66	17	22	83
Home Refinance	0	0	12	0	66	0	22	0
Home Improvement	0	0	12	0	66	100	22	0

Source: HMDA Reportable data from 10/1/2009 to 9/30/2011; 2000 US Census

### Business Loans

The bank's geographic distribution of business loans reflects excellent dispersion throughout the moderate-income census tracts. FTUB's lending to businesses in moderate-income geographies significantly exceeds the percent of total businesses with revenues less than \$1 million located there. FTUB did not extend any loans to businesses in low-income geographies, however only 1% of businesses are located in low-income tracts.

Following is a table that details the bank's performance as compared to the percentage of businesses in each census tract income level.

Table 3A - Geographic Distribution of Loans to Businesses/Farms in NY AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Businesses/Farms	1	0	13	33	62	50	24	17

Source: Bank collected data (10/1/2009 to 9/30/11); 2000 US Census

## Responses to Complaints

FTUB did not receive any CRA complaints during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

Performance under the CD test in the state of New York is satisfactory.

FTUB's CD performance demonstrates adequate responsiveness to CD needs in its assessment area through CD investments and services.

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

The bank's level of CD lending needs to improve. FTUB provided no CD loans during the evaluation period in the NY AA. However, it should be noted that during the majority of the evaluation period, the bank's ability to make commercial loans was impacted by the terms of an agreement with their regulatory agency. This precluded FTUB from underwriting new CD loans during the period.

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

The bank made a satisfactory level of CD investments and donations. During the assessment period, the bank made \$1.8 million in investments that benefited the NY AA. The investments helped provide affordable housing, an identified need in the AA.

The bank purchased two mortgage backed security (MBS) which included low and moderate-income (LMI) mortgages in FTUB's NY AA. The first investment of \$3.6 million includes \$495 thousand in LMI mortgages in FTUB's NY AA; this was comprised of three LMI loans in Suffolk County. The second investment of \$1.8 million includes \$1.3 million in LMI mortgages in FTUB's NY AA; this was comprised of five LMI loans in Suffolk County and one LMI loan in Nassau County.

In addition, FTUB made two donations totaling \$7.5 thousand to one CD organization in the NY AA. The organization provides funding to support a transitional residential facility and community services for homeless and LMI individuals. While the actual level of bank donations made was higher, only the donations above met the definition of CD.

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

The bank provides a satisfactory level of CD services. During the evaluation period, two bank officers/employees provided financial expertise and/or leadership services to two qualified CD organizations serving the AA.

A director of FTUB helps a community service organization with fundraising for a variety of activities including scholarships for high school graduates, support for local food pantries, and sponsorship of local youth clubs that primarily support LMI youth. In addition, an officer at the bank serves on the Board at an organization that runs a community residence program that helps the mentally ill gain independence, and provides housing, training, and guidance to homeless families, single mothers and their young children. The officer served on the Board for an annual award program and helped oversee donations to needy families.



In addition to the qualified services above, other bank employees volunteered at other community organization and events in the NY AA throughout the assessment period.

### **Responsiveness to Community Development Needs**

Considering the bank's capacity, the need, and the availability of CD opportunities FTUB's CD performance, through CD investments and services demonstrates adequate responsiveness to the needs of its AA.

## State of Rhode Island

### **CRA Rating for Rhode Island: Needs to Improve.**

**The Lending test is rated: Needs to Improve.**

**The Community Development test is rated: Needs to Improve.**

The major factors that support this rating include:

- The distribution of loans reflects poor penetration. The distribution of loans reflects very poor penetration among individuals of different income levels and excellent penetration among businesses of different sizes.
- The geographic distribution of loans reflects very poor dispersion throughout the low and moderate-income census tracts.
- The bank's community development performance demonstrates poor responsiveness to community development needs in its AA, through community development loans, investments, and services.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN RHODE ISLAND**

The RI AA is comprised of the RI portion of the Providence-New Bedford-Fall River, RI MSA 39300; referred to as the RI AA. In January 2011, FTUB closed the only RI branch, a limited-service branch office, located in a middle income tract in Warwick, RI. The branch was located in an office park with limited access to the general public. Due to FTUB's limited physical presence and staff turnover, the bank decided to close the RI branch and focus on serving the MA and NY AAs. Because the branch was open for the majority of the assessment period, it is included in the evaluation. According to 2000 census data, the RI AA has a total population of approximately 1.1 million people. The RI AA is comprised of 233 census tracts; 11% of the tracts are low-income census tracts, 17% are moderate-income, 46% are middle-income, and 26% are upper-income census tracts. The AA meets the requirements of the regulation and does not arbitrarily exclude any low or moderate-income areas.

Competition in the RI AA is strong with many banks competing for customers. Competitors in the RI AA include Union Federal Savings Bank, Freedom National Bank, and Newport Federal Savings Bank. Larger regional banks such as Bank of America N.A., RBS Citizens Bank, N.A., Metlife Bank, and Sovereign Bank also compete for customers in the AA. Based on the Federal Deposit Insurance Corporation's Deposit Market Share Report, as of June 30, 2010, the top three banks in the AA held over 60% of the deposit market share. For the same period, FTUB had less than 1% of the deposit market share in the AA. This further supports the strong level of competition in the bank's market area.

The unemployment rate in RI has been slowly declining and as of September 2011, the unemployment rate for the RI AA was 10.1% and the unemployment rate for the entire state of RI was 10.5%. Due to the slow economic recovery the unemployment rate in

RI, which is among the highest in the country, has remained elevated. Per Moody's Analytics, the state is heavily reliant on the education, health care and social services sectors, as well as the government sector and retail trade and manufacturing industries.

In 2009, top employers in RI include: Lifespan Corporation, Naval Station Newport, Care New England Health Systems, Roman Catholic Diocese of Providence, CVS Corporation, Citizens Financial Group, Inc., Stop and Shop Supermarket Company, Brown University, Bank of America Corporation, and the University of Rhode Island.

The information in the following table provides key demographic data about the bank's RI AA.

Demographic Information for FTUB's RI AA					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	233	11%	17%	46%	26%
Population by Geography	1,048,319	9%	16%	47%	28%
Owner-Occupied Housing by Geography	245,150	3%	10%	53%	34%
Businesses by Geography	67,331	6%	15%	46%	33%
Family Distribution by Income Level	266,655	22%	17%	22%	39%
Household Distribution by Income Level	408,412	25%	15%	18%	42%
2000 Census Median Family Income (MFI)		\$53,013	2011 Median Housing Value for State of RI*	\$203,300	
			Median Age of Housing	53 years	
HUD Updated MFI: 2009		\$72,500	Families Below the Poverty Level	12.37%	
2010		\$72,100			
2011		\$74,500			
			Unemployment Rate **	10.1%	

Source: 2000 US Census data

\* Data from Zillow.com updated as of 11/11

\*\* Data from US Bureau of Labor Statistics Unemployment Rates for Metropolitan Areas as of September 2011 (Not Seasonally Adjusted) for Providence-Fall River-Warwick, RI-MA Metropolitan Area. State unemployment rate was 10.5%.

## SCOPE OF EVALUATION IN RHODE ISLAND

Performance in the RI AA was weighted significantly less than performance in the MA AA in arriving at overall conclusions as the large majority of bank branches and loans and deposits are located in MA. During the assessment period, less than 1% of total loans were originated in the RI AA. As of June 2010, when the RI branch was still open, only 2% of FTUB's total deposits were located in the AA.

In assessing the bank's performance, a community contact was used to help identify the needs in the AA. An identified need in AA included, but was not limited to, small business loans. The community contact was from an economic development group that specializes in SBA Micro loans. The contact indicated that one of the primary needs in the AA is additional job creation through CD lending to small businesses.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN RHODE ISLAND**

### **LENDING TEST**

The bank's performance under the lending test in Rhode Island needs to improve.

The distribution of loans reflects poor penetration. The distribution of loans reflects very poor penetration among individuals of different income levels and excellent penetration to businesses of different sizes. The bank's geographic distribution of home and business loans reflects very poor dispersion throughout the low and moderate-income census tracts. It should be noted that although the RI branch was open for the majority of the assessment period, the bank was winding down activities in the AA before the branch closure. During the assessment period, less than 1% of total loans were originated in the RI AA. The overall low level of lending contributed to the poor penetration and geographic distribution in low and moderate-income tracts.

We found no conspicuous gaps in the bank's lending patterns. Areas of low penetration were due to the limited overall lending in the AA.

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

#### *Home Loans*

The distribution of home loans to borrowers reflects very poor penetration among borrowers of different income levels. FTUB's did not purchase or originate any home purchase, refinance, and improvement loans in the low or moderate-income geographies.

The combination of deterioration in the local and national economies and changing credit standards has made lending more challenging. Industry standards now require borrowers to have higher down payments and credit scores. When coupled with high unemployment, this negatively impacts the ability of low and moderate-income borrowers to qualify for loans. While the national downturn in the economy and real estate has affected the area, median housing prices remain high relative to median incomes. Lack of affordable housing limits lending opportunities. In 2011, the average median home price in the state of RI was \$203,300. The HUD updated median family income is \$74,500, which means the maximum income that is considered low-income is \$37,250 therefore; low-income borrowers would have difficulty qualifying for home purchase loans. Additionally, moderate-income families also would encounter difficulty qualifying for home purchase loans with an income range of \$37,250 to a maximum income of \$59,600.

Market competition for home mortgages is high. According to 2010 peer mortgage market share data, mortgage lending in the RI AA is dominated by larger institutions with the top fifteen institutions holding over 60% of the market share.

The following table shows the distribution of residential real estate loans among borrowers of different income levels as compared to the percent of families in each income category.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in RI AA</b>									
Borrower Income Level	Low		Moderate		Middle		Upper		NA *
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of Number of Loans
Home Purchase	22	0	17	0	22	0	39	0	0
Home Refinance	22	0	17	0	22	0	39	100	0
Home Improvement	22	0	17	0	22	0	39	0	0

Source: HMDA Reportable data from 10/1/2009 to 9/30/2011; 2000 US Census

### *Business Loans*

The distribution of loans to businesses/farms reflects excellent penetration among businesses of different sizes. The bank originated 100% of loans by number to businesses/farms with gross annual revenues of \$1 million or less. This is considered more than reasonable as it exceeds the demographic data with 67% of the area's businesses/farms are considered small businesses.

The following table shows the distribution of commercial loans among businesses/farms of different sizes in the RI AA.

<b>Table 2A - Borrower Distribution of Loans to Businesses/Farms in RI AA</b>				
Business/Farms Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses/Farms	67	33	0	100%
% of Bank Loans in AA by #	100	0	0	100%
% of Bank Loans in AA by \$	100	0	0	100%

Source: Bank collected data (10/1/2009 to 9/30/11); 2000 US Census

### **Geographic Distribution of Loans**

#### *Home Loans*

The bank's geographic distribution of home loans in the RI AA reflects very poor dispersion in the low and moderate-income census tracts. FTUB did not purchase or originate any home purchase, refinance, and improvement loans in the low or moderate-income geographies.

Following is a table that details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level.

<b>Table 3 – Geographic Distribution of Residential Real Estate Loans in RI AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	3	0	10	0	53	0	34	0
Home Refinance	3	0	10	0	53	0	34	100
Home Improvement	3	0	10	0	53	0	34	0

Source: HMDA Reportable data from 10/1/2009 to 9/30/2011; 2000 US Census

### Business Loans

The bank's geographic distribution of business loans reflects very poor dispersion throughout the low and moderate-income census tracts. FTUB did not purchase or originate any loans to businesses with revenues less than \$1 million located in low or moderate-income geographies.

Following is a table that details the bank's performance as compared to the percentage of businesses in each census tract income level.

<b>Table 3A - Geographic Distribution of Loans to Businesses/Farms in RI AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Businesses/Farms	6	0	15	0	46	0	33	100

Source: Bank collected data (10/1/2009 to 9/30/11); 2000 US Census

### Responses to Complaints

FTUB did not receive any CRA complaints during the evaluation period.

### COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD test in Rhode Island is rated needs to improve.

FTUB's community development performance demonstrates poor responsiveness to community development needs in the AA through CD loans, investments, and services. Due to limitations on CD lending, the bank should have sought out qualified investments and donation opportunities to better meet the needs of the AA.

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

The bank's level of CD lending needs to improve. FTUB provided no CD loans during the evaluation period in the NY AA. However, it should be noted that during the majority of the evaluation period, the bank's ability to make commercial loans was impacted by the terms of an agreement with their regulatory agency. This precluded FTUB from underwriting new CD loans during the period.

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

FTUB's CD performance through qualified investments and donations demonstrates very poor responsiveness to the needs of its AA. During the evaluation period, FTUB did not make any qualifying investments, grants, or donations.

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

Given the limited presence in the AA, the bank showed an adequate level of responsiveness to CD needs through CD services during the evaluation period. During the evaluation period, one bank officer provided financial expertise and leadership services to one CD organization serving the AA. A Director of the bank served as the secretary for an organization that promotes economic development in a LMI tract. The organization promotes a stable and diversified local economy by providing support and resources to existing businesses and by attracting new businesses to the LMI area.

## **Responsiveness to Community Development Needs**

FTUB's CD performance through CD loans and investments demonstrates poor responsiveness to the needs of its AA. FTUB did not make any qualified CD loans, investments, or donations during the assessment period. Given FTUB's limited presence in the RI AA, the bank provided an adequate level of CD services. Due to the limitations on CD loans, the bank should have sought out qualified investments and donation opportunities to better meet the needs of its AA.

CD needs in the AA include affordable ownership and rental housing, access to retail banking, and general banking and first time homebuyer education programs. During the assessment period, there were opportunities for CD involvement, both at the local level as well as entities that serve the AA and operate on a broader statewide or regional basis.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: (10/1/09 to 09/30/11) Community Development Test: (12/28/09 to 10/31/11)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First Trade Union Bank (FTUB) Boston, Massachusetts	Residential real estate loans, business/farm loans of different sizes. Community development loans, investments, and services.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
State of Massachusetts: Boston-Quincy Massachusetts Metropolitan Division Area.	Full-Scope	
State of Massachusetts: Cambridge-Newton-Framingham Massachusetts Metropolitan Division Area.	Full-Scope	
State of Massachusetts: Peabody Massachusetts Metropolitan Division Area.	Limited-Scope	
State of New York: Nassau-Suffolk New York Metropolitan Division Area.	Full-Scope	
State of Rhode Island: Providence-New Bedford-Fall River Rhode Island Metropolitan Statistical Area.	Full-Scope	



## Appendix B: Summary of State Ratings

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
First Trade Union Bank	Satisfactory	Satisfactory	Satisfactory
Massachusetts	Outstanding	Satisfactory	Satisfactory
New York	Needs to Improve	Satisfactory	Needs to Improve
Rhode Island	Needs to Improve	Needs to Improve	Needs to Improve