

# **PUBLIC DISCLOSURE**

March 12, 2001

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Great Eastern Bank  
RSSD No. 960609**

**41-48 Main Street  
Flushing, New York 11345**

**Federal Reserve Bank of New York**

**33 Liberty Street**

**New York, New York 10045**

**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

**INSTITUTION'S CRA RATING:** Great Eastern Bank is rated "SATISFACTORY."

The satisfactory performance of Great Eastern Bank ("GEB") under the Community Reinvestment Act ("CRA") for the period of January 1, 1999, through December 31, 2000, is based on the following performance criteria:

- A reasonable loan-to-deposit ratio, with consideration given to the bank's community development lending.
- A majority of loans in the bank's assessment areas.
- An excellent distribution of loans to borrowers of different income levels and businesses of different sizes.
- A reasonable geographic distribution of loans within the bank's assessment area.

### DESCRIPTION OF INSTITUTION

Founded in 1986, GEB is a state-chartered bank headquartered in the Flushing area of the borough of Queens, New York. In addition to its headquarters, the bank has a main office and branch located on Fifth Avenue in Manhattan as well as a branch in lower Manhattan's Chinatown neighborhood. GEB is not part of a holding company or affiliated with any other financial institution.

As of December 31, 2000, the bank had total assets of \$244 million, total loans of \$133 million, and total deposits of \$220 million. GEB provides mainly real estate, personal, commercial and industrial loans to its customers. The bank advertises all its product lines on its web site. Most applicants for housing-related credit and consumer loans are existing business customers. Of its credit products, the bank extends primarily commercial and industrial loans, and commercial real estate mortgages, which constitute \$124 million or 93 percent of the loan portfolio. Of the total loan portfolio, \$119 million or 89 percent are commercial and industrial loans, commercial loans not secured by real estate, and other non-consumer loans, while \$5 million or 4 percent are multifamily residential properties mortgages and construction and development loans. The one-to four-family residential mortgage loan and consumer lending business lines are minimal. Residential mortgage loans total \$7 million or 5 percent of all loans. Consumer loans total \$2 million or 2 percent of all loans.

GEB's previous CRA examination was conducted as of February 3, 1997, at which time the bank received a "satisfactory" rating. There are no financial or legal impediments preventing GEB from serving the credit needs of consumers and small businesses in its assessment area.

## DESCRIPTION OF ASSESSMENT AREA

The following demographic and economic information used to describe GEB's assessment area and the context in which the bank operates was obtained from publicly available sources including the U.S. Department of Commerce's Bureau of the Census, the U.S. Department of Labor, and the U.S. Department of Housing and Urban Development ("HUD").

GEB has designated as its assessment area three geographic areas in Primary Metropolitan Statistical Area ("PMSA") 5600 of New York City. The areas include a portion of Queens County, the largest area, and two small areas in New York County. These three areas contain 517 census tracts, of which 20 or 4 percent are low-income tracts, 76 or 15 percent are moderate-income tracts, 235 or 45 percent are middle-income, and 186 or 36 percent are upper-income census tracts.

The Queens County assessment area, located in downtown Flushing, includes the northern portion of the borough of Queens, north of Jamaica Avenue and Atlantic Avenue. Downtown Flushing is the fourth largest retail business center in Queens.

The Manhattan assessment areas are located in midtown and lower Manhattan. The midtown Manhattan area is between 21<sup>st</sup> and 37<sup>th</sup> Streets and is bounded by First and Ninth Avenues. The lower Manhattan area is south of Houston Street, east of Broadway and north of Maiden Lane to the East River.

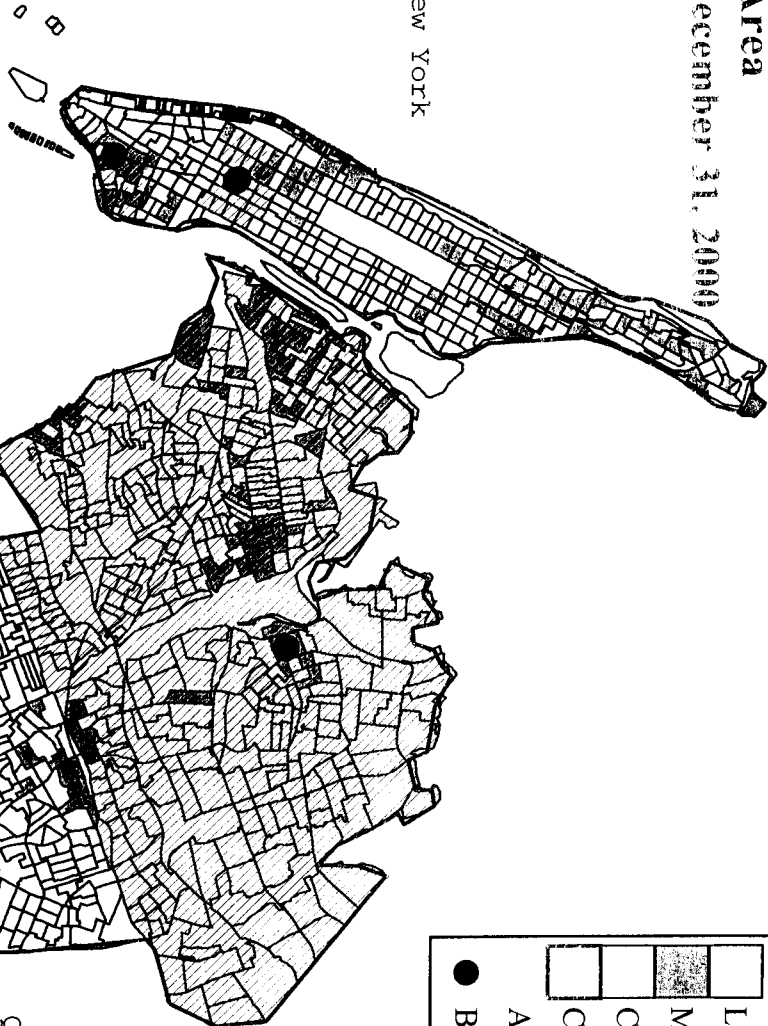
The following map illustrates GEB's assessment area:

# Great Eastern Bank

## Assessment Area


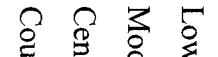
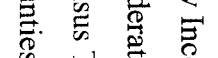
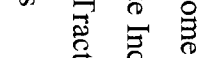
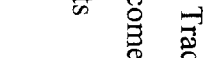

January 1, 1999 through December 31, 2000

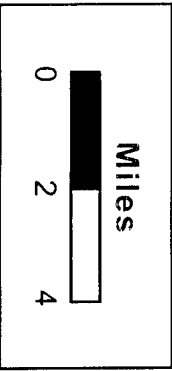
New York



Queens

**Legend**

-  Low Income Tracts
-  Moderate Income Tracts
-  Census Tracts
-  Counties
-  Assessment Area
-  Branch



## PERFORMANCE CONTEXT

### Demographic Characteristics

According to the 1990 Census, the total population in New York City (PMSA 5600) is approximately 8.6 million. The population in GEB's assessment area is 1,669,528 or 20 percent of the PMSA's total population. Low-income residents represent 56,304 or 4 percent of the assessment area population, moderate-income residents total 302,334 or 18 percent, middle-income population totals 773,565 or 46 percent, and upper-income residents total 537,325 or 32 percent.

### Income Characteristics

The median family income for GEB's assessment area, according to the 1990 Census, is \$39,235. The 2000 HUD adjusted median family income for PMSA 5600 (New York, NY) is \$56,200. Of the 416,980 families residing in the assessment area, 82,530 or 20 percent are low-income, 69,576 or 17 percent are moderate-income, 88,345 or 21 percent are middle-income, and 176,529 or 42 percent are upper-income.

### Housing Characteristics

Based on the 1990 Census, the total number of housing units in PMSA 5600 (New York, NY) is 3,449,058, of which 696,691 are located in GEB's assessment area. Of these housing units in the assessment area, 232,540 are owner-occupied. The distribution of owner-occupied housing units in the assessment area is as follows: 232 units or 1 percent in low-income census tracts, 15,444 or 6 percent in moderate-income census tracts, 98,095 or 42 percent in middle-income census tracts, and 118,769 or 51 percent in upper-income census tracts.

The 1990 median housing value in PMSA 5600 (New York, NY) is \$207,142, while in GEB's assessment area, the median housing value is \$219,261 and the median gross rent is \$550.

### Labor Characteristics

According to 1990 Census data, the assessment area contains approximately 63 thousand unemployed persons and a labor force of approximately 900 thousand. The labor force in the bank's assessment area breaks down as follows: 21 thousand or 3 percent low-income, 155 thousand or 17 percent moderate-income, 415 thousand or 46 percent middle-income, and 304 thousand or 34 percent upper-income.

The 1990 unemployment rate in the assessment area is 7.1 percent. According to Bureau of Labor Statistics data, the unemployment rate in New York City as of April 2001 is 5.2 percent, which is higher than the New York State jobless rate of 4.3 percent for the same period.

### **Community Contacts**

Community contacts made during this examination include an organization that advocates for equal opportunities for minorities and helps provide affordable housing to low- and moderate-income ("LMI") residents of New York City. Officials at the organization stated that the city housing stock is antiquated and needs rehabilitation and redevelopment. There is good penetration of financial institutions in the bank's assessment area, but the banks are not originating home improvement loans to landlords and tenants in the assessment area.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

GEB's satisfactory rating is based on an assessment under the CRA of the bank's performance criteria. For lending, income and geographic distribution performance levels, a sample of 229 loans originated during the period under review was included in the analysis. The sample included 24 loans reported under the Home Mortgage Disclosure Act ("HMDA") as well as 78 consumer loans and 127 small business loans. Details of GEB's performance follow:

#### **Loan-to-deposit Ratio**

GEB's loan-to-deposit ratio was reasonable given the bank's size, financial condition and credit needs of its assessment area. The bank's average loan-to-deposit ratio, based on its Consolidated Report of Condition and Income for the four most recent quarters ending December 31, 2000, is 62 percent. Based on the Uniform Bank Performance Report ("UBPR") for the year ending December 31, 2000, GEB's loan-to-deposit ratio was below the national peer average of 77 percent and that of four similarly situated banks, which had loan-to-deposit ratios ranging from 66 percent to 71 percent.

As of December 31, 2000, the bank extended a line of credit of \$100 thousand for community development purposes to a nonprofit organization that promotes economic development opportunities in GEB's assessment area.

#### **Lending in the Assessment Area**

GEB originated the majority of its loans within its assessment area. Of the total number of loans sampled, 56 percent (128 of 229) were originated in the bank's assessment area. Of the HMDA-related loans sampled, only 42 percent (10 of 24) were extended within the bank's assessment area. Of the consumer loans sampled, 68 percent (53 of 78) were made within the bank's assessment area. Of the small business loans sampled, 49 percent (62 of 127) were made in the bank's assessment area. As previously discussed, most of the GEB's requests for housing-related and consumer loans come from existing business customers.

**Lending to Borrowers of Different Income Levels and to Small Businesses of Different Sizes**

Overall, GEB's record of lending to borrowers of different income levels including LMI individuals and businesses of different sizes was excellent given the demographics of its assessment area.

An analysis of the lending distribution in each loan category follows:

<b>EXHIBIT 1</b>			
<b>Distribution of Loans in Assessment Area By Borrower Income Levels</b>			
<b>January 1, 1999 – December 31, 2000</b>			
	<b>HOUSING-RELATED</b>	<b>CONSUMER</b>	<b>TOTALS</b>
<b>LOW INCOME</b>			
Less than 50% of Median Income			
Number	1	27	28
Percentage	10%	51%	44%
Amount (\$)	\$170,000	\$452,700	\$622,700
Percentage	11%	35%	22%
<b>MODERATE INCOME</b>			
At least 50% and less than 80% of Median Income			
Number	1	10	11
Percentage	10%	19%	18%
Amount (\$)	\$100,000	\$247,000	\$347,000
Percentage	6%	19%	12%
<b>MIDDLE INCOME</b>			
At least 80% and less than 120% of Median Income			
Number	3	7	10
Percentage	30%	13%	16%
Amount (\$)	\$405,000	\$298,000	\$703,000
Percentage	25%	23%	24%
<b>UPPER INCOME</b>			
120% or more of Median Income			
Number	5	9	14
Percentage	50%	17%	22%
Amount (\$)	\$929,000	\$280,000	\$1,209,000
Percentage	58%	22%	42%



EXHIBIT 2

**Distribution of Loans in Assessment Area  
By Size of Business**

January 1, 1999- December 31, 2000

**SMALL BUSINESS LENDING SUMMARY**

Number of loans to businesses	Number of loans to small businesses*	% of loans to small businesses	\$ amount of loans to businesses	\$ amount of loans to small businesses*	% of \$ amount of loans to small businesses*
62	47	76%	\$12,291,136	\$10,244,136	83%

\* Businesses with gross annual revenues of \$1 million or less.

HMDA-related Loans

GEB's HMDA-related lending to borrowers of different income levels was reasonable. However, lending to LMI families does not reflect the demographics of the bank's assessment area. Exhibit 1 shows that 20 percent of housing-related loans were made to LMI borrowers while LMI families represent 37 percent of all families. Given the bank's business orientation and the high cost of housing in the assessment area, this performance is reasonable. As previously discussed, the bank originated 24 HMDA-related during the examination period, which were primarily from existing business customers.

Consumer Loans

The bank's consumer lending to borrowers of different income levels was excellent. As shown in Exhibit 1, loans to LMI borrowers accounted for 70 percent of the loans sampled (37 of 53) while LMI families represent 37 percent of all families in the assessment area. Loans to low-income borrowers account for 51 percent and loans to moderate-income borrowers represent 19 percent of the loans sampled. These ratios compare favorably with the demographics of the assessment area where 20 percent of all families are low-income and 17 percent of all families are moderate-income.

Small Business Loans

GEB's lending to businesses with revenues of \$1 million or less was excellent. As Exhibit 2 shows, 76 percent of the loans sampled (47 of 62) were made to such businesses. New York and Queens Counties contain, respectively, 83,009 and 37,627 small business establishments with gross annual revenues of \$1 million or less. This represents 78 percent and 87 percent of all businesses in the respective counties.

Approximately 48 percent of small business loans originated by GEB during the examination period were for amounts less than or equal to \$100 thousand. During the same period, 26 percent of small business loans originated were for amounts between \$100 thousand and \$250 thousand and 26 percent were for amounts between \$250 thousand and less than \$1 million.

### **Geographic Distribution of Loans**

Overall, GEB's geographic distribution of loans was reasonable. The bank extended 24 percent of all sampled loans, including HMDA-related loans, consumer loans and small business loans, in LMI census tracts in its assessment area. In comparison, LMI census tracts represent 19 percent of all census tracts in the bank's assessment area. An analysis of the distribution of lending for each loan category follows:

#### *HMDA-related Loans*

Based on the previously discussed performance criteria and institution description, the geographic distribution of the bank's HMDA-related lending was reasonable. Of the ten HMDA-related loans originated in the bank's assessment area, three of these loans or 33 percent were originated in LMI census tracts. In comparison, 7 percent of owner-occupied housing units in the assessment area are located in LMI census tracts.

#### *Consumer Loans*

The geographic distribution of the bank's consumer loans was less than reasonable. Of the 53 consumer loans originated in the bank's assessment area, 5 consumer loans or 9 percent were originated in LMI census tracts. In comparison, 22 percent of the assessment area population resides in LMI census tracts.

#### *Small Business Loans*

The geographic distribution of small business loans was excellent. Of the 62 such loans originated in the bank's assessment area, 22 loans or 36 percent were originated in LMI census tracts. Fifty percent of the total dollar amount of all sampled small business loans went to businesses located in LMI census tracts.

### **Response to Complaints**

GEB received no complaints relating to its CRA performance, and no complaints have been filed with the Federal Reserve Bank of New York since the previous examination.

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity Act, the Fair Housing Act, and any agency regulations pertaining to nondiscriminatory treatment of credit applicants.

## CRA APPENDIX

### GLOSSARY

**Census tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals, activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Consumer loan:** A loan to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

**Home Mortgage Disclosure Act ("HMDA"):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include information such as the race, gender, and income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home mortgage loans:** Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Metropolitan area:** Any primary metropolitan statistical area (“PMSA”), metropolitan statistical area (“MSA”), or consolidated metropolitan statistical area (“CMSA”), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Performance Context:** The economic and demographic characteristics of a bank’s assessment area(s). The following information is considered to help understand the context in which an institution’s performance should be evaluated: (1) the economic and demographic characteristics of the assessment area(s); (2) lending, investment, and service opportunities in the assessment area(s); (3) the institution’s product offerings and business strategy; (4) the institution’s capacity and constraints; (5) the prior performance of the institution, and in appropriate circumstance, the performance of similarly situated institutions; and (6) other relevant information.

**Small loans to business:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.