

PUBLIC DISCLOSURE

April 2, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Hudson City Savings Bank
West 80 Century Road
Paramus, NJ 07652
Docket #: 17969**

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

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.



Office of Thrift Supervision

Department of the Treasury

Northeast Region

Jersey City Regional Office • Phone Number: (201) 413-1000 • Fax: (201) 413-7543
Harborside Financial Center Plaza Five, Suite 1600
Jersey City, NJ 07311

June 13, 2008

Board of Directors
Hudson City Savings Bank
West 80 Century Road
Paramus, NJ 07652

Enclosed is your institution's written Community Reinvestment Act (CRA) Performance Evaluation. The Office of Thrift Supervision (OTS) prepared the evaluation as of April 2, 2008. Pursuant to the provisions of the CRA and OTS regulations (12 C.F.R. 563e), your institution must make this evaluation and your institution's CRA rating available to the public.

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

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

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

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

Sincerely,

Thomas S. Angstadt
Assistant Director

Enclosure

Table of Contents

GENERAL INFORMATION 1

INSTITUTION..... 2

 OVERALL RATING 2

 LENDING, INVESTMENT, SERVICE TEST TABLE 3

 DESCRIPTION OF INSTITUTION 4

 SCOPE OF EXAMINATION 5

 DESCRIPTION OF COMBINED ASSESSMENT AREA 5

 CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN COMBINED ASSESSMENT AREA 8

 LENDING TEST: 8

 INVESTMENT TEST: 14

 SERVICE TEST: 15

 FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW 17

 MULTISTATE METROPOLITAN AREA REVIEWED (USING EXAMINATION PROCEDURES) 18

 CRA RATING FOR NEW YORK-NORTHERN NEW JERSEY, NY-NJ-PA MSA 18

 SCOPE OF EXAMINATION 18

 DESCRIPTION OF INSTITUTION’S OPERATIONS IN NEW YORK-NORTHERN NEW JERSEY, NY-NJ-PA MSA ASSESSMENT AREA 19

 DESCRIPTION OF NEW YORK-NORTHERN NEW JERSEY, NY-NJ-PA MSA ASSESSMENT AREA 19

 CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW YORK-NORTHERN NEW JERSEY, NY-NJ-PA MSA ASSESSMENT AREA 21

 LENDING TEST: 21

 INVESTMENT TEST: 26

 SERVICE TEST: 27

STATE 30

 SUMMARY 30

 CRA RATING FOR CONNECTICUT 30

 SCOPE OF EXAMINATION 30

 STATE METROPOLITAN AREA & STATE REVIEWED (USING EXAMINATION PROCEDURES)..... 31

 DESCRIPTION OF INSTITUTION’S OPERATIONS IN FAIRFIELD COUNTY, CT ASSESSMENT AREA 31

 DESCRIPTION OF FAIRFIELD COUNTY, CT ASSESSMENT AREA 31

 STATE METROPOLITAN AREA CONCLUSIONS 33

 CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN FAIRFIELD COUNTY, CT ASSESSMENT AREA 33

 LENDING TEST: 33

 INVESTMENT TEST: 37

 SERVICE TEST: 38

STATE 40

 SUMMARY 40

 CRA RATING FOR NEW YORK..... 40

 SCOPE OF EXAMINATION 40

 STATE METROPOLITAN AREA & STATE REVIEWED (USING EXAMINATION PROCEDURES)..... 41

 DESCRIPTION OF INSTITUTION’S OPERATIONS IN SUFFOLK COUNTY, NY MD 41

 DESCRIPTION OF SUFFOLK COUNTY, NY MD ASSESSMENT AREA..... 41

 STATE METROPOLITAN AREA CONCLUSIONS 43

 CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SUFFOLK COUNTY, NY ASSESSMENT AREA..... 43

 LENDING TEST: 43

 INVESTMENT TEST: 47

 SERVICE TEST: 48

STATE 49

 SUMMARY 49

 CRA RATING FOR NEW JERSEY..... 49

 SCOPE OF EXAMINATION 49

Table of Contents (continued)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NEW JERSEY..... 49
STATE METROPOLITAN AREA & STATE REVIEWED (USING EXAMINATION PROCEDURES)..... 51
DESCRIPTION OF INSTITUTION’S OPERATIONS IN BURLINGTON AND CAMDEN COUNTIES, NJ ASSESSMENT AREA..... 51
DESCRIPTION OF INSTITUTION’S BURLINGTON AND CAMDEN COUNTIES, NJ ASSESSMENT AREA 51
STATE METROPOLITAN AREA CONCLUSIONS 53
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN BURLINGTON AND CAMDEN COUNTIES, NJ ASSESSMENT
AREA 53
LENDING TEST: 53
INVESTMENT TEST: 57
SERVICE TEST: 58
STATE METROPOLITAN AREA & STATE REVIEWED (WITHOUT EXAMINATION PROCEDURES) 59
SCOPE OF EXAMINATION 59
DESCRIPTION OF INSTITUTION’S OPERATIONS IN GLOUCESTER COUNTY, NJ ASSESSMENT AREA 59
DESCRIPTION OF GLOUCESTER COUNTY, NJ ASSESSMENT AREA 59
STATE METROPOLITAN AREA CONCLUSIONS 61
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN GLOUCESTER COUNTY, NJ ASSESSMENT AREA 61
LENDING TEST: 61
INVESTMENT TEST: 65
SERVICE TEST: 65
APPENDIX 67
 A. SCOPE OF EXAMINATION 67
 B. SUMMARY OF STATE AND MULTISTATE METROPOLITAN AREA RATINGS..... 68
CRA RATING DEFINITIONS 69

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Hudson City Savings Bank. The Office of Thrift Supervision (OTS) prepared the evaluation as of April 2, 2008. OTS evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. OTS rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

Institution

Overall Rating

INSTITUTION'S CRA RATING: The institution is assigned a rating of "Satisfactory."

Hudson City Savings Bank had a satisfactory response to community credit needs through its lending activity, particularly in increased volume, percentage of lending inside the assessment area, and penetration of lending to low- and moderate-income borrowers. Market share reports for 2006 HMDA aggregate reporters showed a strong performance to low- and moderate-income borrowers by Hudson City Savings Bank. The percentage distribution of lending in low- and moderate-income geographies is satisfactory. Community development lending and innovative and flexible programs provided additional support for low- and moderate-income individuals and disadvantaged populations.

Hudson City Savings Bank was responsive to community credit needs through its community development investments and contributions, including contributions that provided funding for groups serving a broader regional or statewide area including the assessment area.

Services provided were broad and accessible to all customers. Management and personnel adequately participated in community based organizations.

Institution

Lending, Investment, Service Test Table

The following table indicates the performance level of Hudson City Savings Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	Hudson City Savings Bank 4/2/2008		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	
Low Satisfactory			X
Needs to Improve			
Substantial Noncompliance			

Institution (continued)

Description of Institution

Hudson City Savings Bank (“HCSB” or the “bank”) is a \$44.1 billion (as of December 31, 2007) federal stock savings bank. In June 2005, the holding company converted to full public ownership through the completion of a second-step capital offering that raised \$3.9 billion, which provided the capital base to maintain a significant level of asset growth. HCSB is wholly owned by Hudson City Bancorp, Inc. In July 2006, the bank acquired Sound Federal Savings located in White Plains, New York, a federal stock savings bank with 14 branch locations, 10 in New York and four in Fairfield County, Connecticut. HCSB is headquartered in Paramus, New Jersey.

As of December 31, 2007, the bank had 119 branches, fourteen resulting from the Sound Federal Savings acquisition and nineteen newly opened during the review period. Of those 14 acquired branches, eight are located in Westchester County, and one each in Rockland and Putnam counties, New York, and four are located in Fairfield County, Connecticut. Of those nineteen newly opened, two are in the state of Connecticut, ten in New York, and seven in New Jersey. The two in Connecticut are in Fairfield County; of the ten in New York, five are in Suffolk County, four in Richmond County, one in Westchester County; and of the seven in New Jersey, three are in Monmouth County, and one each in the counties of Middlesex, Morris, Passaic, and Somerset. No branches were closed during the review period.

The bank is primarily a one-to-four family residential mortgage lender originating and purchasing residential mortgage loans in its tri-state market area and buying packages of jumbo loans in selected states funded by a full range of traditional deposit products and borrowings. The largest concentrations of purchased loans outside the greater New York/New Jersey metropolitan area were in the states of Virginia, Maryland, Illinois, and Massachusetts.

The bank’s wholesale loan purchase program was a component of its residential loan growth strategy during the 30-month review period from July 1, 2005 through December 31, 2007, and represented approximately fifty percent of all lending activity. Within the assessment area, originated loans represented the majority at 73.7 percent. HCSB is one of the largest jumbo residential mortgage lenders in the assessment area. Based on 2006 HMDA, the average size of a purchased residential mortgage loan was approximately \$381 thousand in the combined assessment area.

Assets continued to be concentrated in one-to-four family mortgages and mortgage-backed securities (MBS). The bank achieved significant growth levels during the review period, and was part of the overall business plan. Growth was concentrated in residential mortgage loans with \$24.1 billion in mortgages outstanding as of December 31, 2007. Cash and other investment securities totaled \$4.4 billion, and MBS totaled \$14.4 billion.

Institution (continued)

As of December 31, 2007, the total loan portfolio equaled \$24.2 billion. Total assets as of December 31, 2007 were \$44.1 billion. This represents a 69.7 increase from the prior evaluation where assets were \$26.1 billion (June 30, 2005).

Table 1 indicates the dollar amount, percentage to total loans, and percentage to total assets of each loan category.

Loan Category	Amount (\$000's)	Percent of Total Loans	Percent of Total Assets
Residential Mortgage	\$24,057,785	99.3%	54.6%
Nonresidential Mortgage	55,163	0.2%	0.1%
Commercial Nonmortgage	14,057	0.1%	0.0%
Consumer	106,262	0.4%	0.2%
Total	\$24,233,267	100.0%	54.9%

As Table 1 indicates, residential mortgage loans comprise virtually all loans in the bank's portfolio, and 54.6 percent of total assets as of December 31, 2007. Not shown, the balance of assets consisted of mortgage-backed securities at 32.6 percent of total assets and cash and government security investments at 10 percent of total assets, also as of December 31, 2007.

HCSB has the financial capacity to meet the credit needs of the community based on size, financial condition and operating performance. The previous CRA Performance Evaluation dated September 27, 2005 resulted in a rating of "Satisfactory."

Scope of Examination

The examination included a review of HMDA reportable residential mortgage loans for the 30-month review period of July 1, 2005 through December 31, 2007. The HMDA reportable loans consisted of one-to-four family, refinance, and home improvement loans. Community development loans, innovative and flexible loan products, investments and services were also included.

Description of Combined Assessment Area

The combined assessment area expanded from the prior CRA performance evaluation due to the Sound Federal Savings acquisition (branches in Connecticut and New York) and by branch openings in New York, New Jersey and Connecticut during the review period. Based on CRA regulations, the evaluation includes a multi-state analysis (NY-NJ), and separate analyses of New York State (non-

Institution (continued)

contiguous Suffolk County), New Jersey State (non-contiguous portions of Burlington, Camden, and Gloucester counties) and Connecticut State (non-contiguous Fairfield County).

This assessment area includes ten full counties in New Jersey, small portions of six other New Jersey counties, five full counties in New York, and one full county in Connecticut. These counties are included in Metropolitan Statistical Areas (MSA) and Metropolitan Divisions (MD), as designated by the Census Bureau and the federal Office of Management and Budget (OMB), which are described below:

New York-Northern New Jersey, NY-NJ-PA MSA

- **Portions of the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA #35620** referred to below as the NY-Northern NJ MSA includes: Bergen, Hudson, Passaic, Putnam, Richmond, Rockland, and Westchester Counties in the NY- Wayne-White Plains NY-NJ MD #35644. Middlesex, Monmouth, Ocean and Somerset Counties in the Edison, NJ MD #20764; and Essex, Morris, and Union Counties in the Newark-Union NJ-PA MD #35084.
- **Portions of the Trenton-Ewing, NJ MSA #45940** referred to below as the NY-Northern NJ MSA, and include portions of Mercer County.
- **Portions of the Allentown-Bethlehem-Easton, PA-NJ MSA #10900** referred to below as the NY-Northern NJ MSA, and include portions of Warren County.
- **Portions of the Atlantic City, NJ MSA #12100** referred to below as the NY-Northern NJ MSA, and include portions of Atlantic County.

Fairfield County, Connecticut

- **Portions of the Bridgeport-Stamford-Norwalk, CT MSA #14860** referred to below, and include all of Fairfield County, CT.

Suffolk County, New York

- **Portions of the Nassau-Suffolk, NY MD #35004** referred to below, and include all of Suffolk County, NY.

Burlington, Camden, Gloucester Counties, New Jersey

- **Portions of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA #37980** referred to below, include Burlington-Camden Counties, NJ and Gloucester County, NJ in the Camden, NJ MD #15804. The assessment area in Gloucester County is evaluated separately as it is non-contiguous to the assessment areas in Burlington and Camden counties.

Institution (continued)

The demographics of the combined assessment area are presented in Table 2 below.

Demographic Data	2000 Census
Population	10,094,044
Total Families	2,596,147
1-4 Family Units	3,065,102
Multi-family Units	755,143
% Owner-Occupied Units	62%
% Rental-Occupied Units	32%
% Vacant Housing Units	6%
Weighted Average Median Housing	\$214,965

Table 3 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	147	6.4%	107,547	4.1%	104,840	3.4%
Moderate	416	18.2%	424,887	16.4%	493,478	16.1%
Middle	851	37.3%	978,128	37.7%	1,192,251	38.9%
Upper	850	37.2%	1,085,585	41.8%	1,274,508	41.6%
Income NA	19	0.9%	0	0.0%	25	0.0%
Total	2,283	100.0%	2,596,147	100.0%	3,065,102	100.0%

According to 2000 census data, 34.6 percent of the families in the assessment area are classified as low- to moderate-income, with 6.0 percent of the families reporting income below the poverty level.

Table 4 shows the distribution of families in each income range of the combined assessment area.

Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	480,317	18.5%
Moderate (50% - 79%)	418,369	16.1%
Middle (80% - 119%)	520,570	20.1%
Upper (>= 120%)	1,176,891	45.3%
Total	2,596,147	100.0%

Institution (continued)

Bergen and Passaic counties were most dramatically affected by the 2004 OMB MSA boundary revisions, resulting in a significant reduction of low- and moderate-income families and low- and moderate-income geographies. There are no low-income geographies in Bergen County, which is the county with the bank's greatest proportion of retail banking network, 24 branches (20.2 percent).

Recent community contacts were reviewed to develop an understanding of assessment area community credit needs and how financial institutions were meeting those needs. These contacts are presented in the appropriate assessment areas.

HCSB faces intense competition for loans and deposits in the combined assessment area. The assessment area has a high concentration of financial institutions, many of which are branches of large money center and regional banks. A broad range of commercial banks, savings institutions, mortgage bankers, credit unions, and finance companies compete for residential mortgage business. Competitive factors are discussed more specifically in the assessment area evaluations.

Conclusions With Respect To Performance Tests In Combined Assessment Area

As part of the CRA review, an analysis of the institution's performance under the lending test, investment test and service test was conducted. In consideration of each test, various reviews were performed to assess the institution's level of performance.

Lending Test:

Under the lending test, the areas reviewed consisted of the institution's lending activity within its combined assessment area, the geographic distribution of loans, the borrower's profile and evidence that loans were made to all income groups. Additional areas reviewed included the institution's responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities and the use of innovative and flexible loan products to serve the assessment area credit needs.

Lending in the Combined Assessment Area

Table 5 illustrates the total number and dollar amount of HMDA-reportable loans (home purchase, refinance and home improvement loans) originated or purchased in and outside the combined assessment area during the 30-month review period ended December 31, 2007.

Institution (continued)

For comparison purposes, the table reflects lending activity by each appropriate year during the review period.

Table 5- Concentration of HMDA-reportable Loans *					
7/1/2005 - 12/31/2007					
(Dollars in thousands)					
Period By Year	In Combined Assessment Area		Outside Combined Assessment Area		Total HMDA Loans
By Number:	#	%	#	%	#
7/1/05 – 12/31/05	4,677	56.1%	3,654	43.9%	8,331
2006	8,953	66.7%	4,479	33.3%	13,432
2007	8,979	59.6%	6,091	40.4%	15,070
Total	22,609	61.4%	14,224	38.6%	36,833
By \$ Amount:	\$ Amt	%	\$ Amt	%	\$ Amt
7/1/05 – 12/31/05	\$1,501,880	48.6%	\$1,586,720	51.4%	\$3,088,600
2006	2,793,102	55.6%	2,234,130	44.4%	5,027,232
2007	3,761,440	52.3%	3,432,105	47.7%	7,193,545
Total	\$8,056,422	52.6%	7,252,955	47.4%	\$15,309,377

* Percents are based on total loans originated or purchased during applicable year

On an annualized basis, the volume of HMDA reportable loans in the combined assessment area increased 30.5 percent and 48.3 percent by number and dollar amount, respectively, compared to the previous evaluation period. This change is attributed to several factors, which include the acquisition of Sound Federal Savings with expanded branch presence, aggressive retail lending strategies, and the continued practice of wholesale loan purchases. The volume of lending is strong and a majority of lending is inside the assessment area both by number and dollar amount. This percentage distribution is greater than that of the previous evaluation period.

Table 6 provides a more detailed picture of the distribution of HMDA-reportable loans within the three assessment areas. Consistent with CRA regulatory requirements, the New York-Northern New Jersey assessment area is contiguous and will be reviewed as a multi-state evaluation. As the other assessment areas are non-contiguous, each will be reviewed separately. Fairfield County in Connecticut will be reviewed as a state evaluation, Suffolk County in New York as a state evaluation, Burlington-Camden Counties in New Jersey as a state evaluation, and non-contiguous Gloucester County as a separate evaluation.

Institution (continued)

Table 6 - Distribution of HMDA-Reportable Loans By Individual Assessment Area (Dollars in thousands)					
Assessment Area By Number:	7/1/2005 - 12/31/2005	2006	2007	Review Period	% Of Comb AA
AA1 – NY-Northern NJ MSA	4,321	7,901	7,214	19,436	86.0%
AA2 – Fairfield County, CT	50	332	1,206	1,588	7.0%
AA3 – Suffolk County, NY	208	515	424	1,147	5.1%
AA4 – Burlington-Camden NJ	73	115	98	286	1.3%
AA5 – Gloucester County, NJ	25	90	37	152	0.6%
Total	4,677	8,953	8,979	22,609	100.0%
By Dollar Amount:					
AA1 – NY-Northern NJ MSA	\$1,348,970	\$2,413,812	\$2,794,759	\$6,557,541	81.4%
AA2 – Fairfield County, CT	30,474	176,353	693,220	900,047	11.2%
AA3 – Suffolk County, NY	105,953	173,210	245,953	525,116	6.5%
AA4 – Burlington-Camden NJ	14,507	19,538	22,046	56,091	0.7%
AA5 – Gloucester County, NJ	1,976	10,189	5,462	17,627	0.2%
Total	\$1,501,880	\$2,793,102	\$3,761,440	\$8,056,422	100.0%

Table 6 reveals that at least 86 percent and 81.4 percent of combined assessment area lending, by the number and dollar amount of loans, was concentrated in the New York Northern New Jersey MSA assessment area. As such, greater weight will be given to that assessment area.

The bank faced substantial competition for loans in its combined assessment area. During 2006, 1,091 HMDA lenders originated or purchased over 642 thousand loans for \$172.6 billion in the combined assessment area. Based on 2006 HMDA aggregate market share data, the bank’s 8,953 assessment area loans totaling \$2.8 billion in 2006 ranked 16th with 1.4 percent, and 11th with 1.6 percent market share penetration by number and dollar amount, respectively. The top ten lenders garnered 37.7 and 40.2 percent market share by number and dollar amount, respectively, indicating strong competition. These lenders included the largest financial institutions and their affiliated mortgage companies, as well as national and local mortgage bankers.

On balance, the bank was an active lender in the assessment area during the 30-month review period. A majority of the lending was in the combined assessment area and improved from the prior evaluation period.

Geographic Distribution of Loans

Part of the lending test includes an analysis of HCSB’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the assessment area. Table 7 illustrates loan originations and purchases, categorized by geography income level, that were

Institution (continued)

reported by HCSB during each year of the review period, and compares this activity to the 2005 and 2006 aggregate lenders.

Geography Inc. Level	7/1/2005 – 12/31/2005		2006		2007		Review Period 7/1/2005 – 12/31/2007		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	60	1.3%	186	2.1%	229	2.6%	475	2.1%	3.4%	3.7%
Moderate	424	9.1%	1,535	17.1%	1,599	17.8%	3,558	15.7%	18.0%	19.1%
Middle	1,216	26.0%	2,584	28.9%	2,065	23.0%	5,865	25.9%	41.6%	41.6%
Upper	2,963	63.4%	4,642	51.8%	5,080	56.5%	12,685	56.2%	37.0%	35.6%
Income NA	14	0.2%	6	0.1%	6	0.1%	26	0.1%	0.0%	0.0%
Total	4,677	100.0%	8,953	100.0%	8,979	100.0%	22,609	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$10,896	0.7%	\$29,498	1.1%	\$46,198	1.2%	\$86,592	1.1%	2.5%	3.0%
Moderate	89,859	6.0%	350,156	12.5%	411,210	10.9%	851,225	10.6%	14.6%	15.8%
Middle	307,161	20.5%	639,633	22.9%	710,893	18.9%	1,657,687	20.6%	36.6%	37.2%
Upper	1,087,516	72.4%	1,771,252	63.4%	2,590,220	68.9%	5,448,988	67.6%	46.3%	44.0%
Income NA	6,448	0.4%	2,563	0.1%	2,919	0.1%	11,930	0.1%	0.0%	0.0%
Total	\$1,501,880	100.0%	\$2,793,102	100.0%	\$3,761,440	100.0%	\$8,056,422	100.0%	100.0%	100.0%

During the review period, HCSB provided 4,063 loans totaling \$937.8 million in low- and moderate-income geographies in the assessment area.

The percentage distribution of lending in low- and moderate-income geographies by year and the review period was slightly less than that of the 2005 and 2006 HMDA aggregate reporters, but exceeded that of the prior performance period by number and dollar amount. The actual number and dollar amounts also increased.

Based on 2006 HMDA aggregate market share data in low- and moderate-income geographies, the bank's 1,721 assessment area loans totaling \$380 million in 2006, ranked 20th with a 1.2 percent market share both by number and dollar amount. This ranking was less than the bank's overall market share ranking of 16th with 1.4 percent, and 11th with 1.6 percent market share penetration by number and dollar amount, respectively, but exceeded that of the prior performance period.

On balance, the bank provided a satisfactory response to the needs of the low- and moderate-income geographies during the review period.

Borrower Characteristics

Part of the lending test includes an analysis of HCSB's lending activity with respect to the distribution of loans among borrowers of different income levels within the assessment area. Table 8

Institution (continued)

illustrates loan originations and purchases, categorized by borrower income level, that were reported by HCSB during each year of the review period, and compares this activity to the 2005 and 2006 aggregate lenders.

Table 8 - Distribution of HCSB's HMDA-Reportable Loans By Borrower Income Level in the Assessment Area (Dollars in thousands)										
Borrower Inc. Level	7/1/2005 – 12/31/2005		2006		2007		Review Period 7/1/2005 – 12/31/2007		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	143	3.1%	509	5.7%	290	3.2%	942	4.2%	3.2%	3.0%
Moderate	365	7.8%	1,283	14.3%	739	8.2%	2,387	10.6%	12.7%	11.1%
Middle	493	10.5%	1,171	13.1%	843	9.4%	2,507	11.1%	22.4%	21.4%
Upper	2701	57.8%	4,575	51.1%	5,058	56.4%	12,334	54.6%	43.9%	45.6%
Income NA	975	20.8%	1,415	15.8%	2,049	22.8%	4,439	19.5%	17.8%	18.9%
Total	4,677	100.0%	8,953	100.0%	8,979	100.0%	22,609	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$5,599	0.4%	\$44,765	1.6%	\$23,923	0.6%	\$74,287	0.9%	1.4%	1.3%
Moderate	29,619	2.0%	177,751	6.4%	94,359	2.5%	301,729	3.7%	7.9%	6.8%
Middle	78,361	5.2%	217,120	7.8%	170,916	4.5%	466,397	5.8%	17.3%	16.3%
Upper	981,949	65.4%	1,743,055	62.4%	2,501,420	66.6%	5,226,424	64.9%	53.4%	55.4%
Income NA	406,352	27.0%	610,411	21.8%	970,822	25.8%	1,987,585	24.7%	20.0%	20.2%
Total	\$1,501,880	100.0%	\$2,793,102	100.0%	\$3,761,440	100.0%	\$8,056,422	100.0%	100.0%	100.0%

During the review period, HCSB provided 3,329 loans totaling \$376 million to low- and moderate-income borrowers in the assessment area.

The percentage distribution of lending to low- and moderate-income borrowers in 2006 was strong, particularly by number of loans, and slightly greater than that of the 2006 HMDA aggregate reporters. For the review period, the percentage distribution of loans to low-income borrowers by number of loans exceeded that of the aggregate lenders, but was less by dollar amount. Some of the dollar amount gap may be attributed to the bank's active promotion of lower dollar amount home improvement loans in low- and moderate-income geographies and amongst low- and moderate borrowers. For the full review period, the percentage distribution of low- and moderate-income lending was comparable to the HMDA aggregate reporters, and exceeded that of the prior performance evaluation.

The percentage distribution was impacted by the change in the 2004 OMB median family income and the affordability of housing, particularly in the northern counties of New Jersey. Further detail is provided in the specific assessment areas. Management is aware of these changes and has devised special affordable loan products to capture these families.

Based on 2006 HMDA aggregate market share data to low- and moderate-income borrowers, the bank's 1,792 assessment area loans totaling \$222.5 million in 2006 ranked 8th with 2.0 percent and

Institution (continued)

12th with 1.6 percent market share penetration by number and dollar amount, respectively. This ranking was greater by number and comparable by dollar amount to the bank's overall market share ranking of 16th with 1.4 percent, and 11th with 1.6 percent market share penetration by number and dollar amount, respectively, and substantially exceeded that of the prior performance period.

On balance, the percentage distribution of lending reflects a satisfactory penetration among borrowers of different income levels.

Community Development Lending

Community development lending increased from the prior evaluation period. During the review period, HCSB provided \$4.6 million in community development loans through direct lending and loan participations funded through the Thrift Institution Community Investment Corporation (TICIC) lending consortium. TICIC was formed by New Jersey based thrift institutions to assist in developing statewide community development- eligible projects, including the assessment area. All of the TICIC projects and two community development loans totaling \$2 million were located in the New York Northern New Jersey assessment area and are detailed within that assessment area evaluation. In addition, HCSB has \$1.8 million in balances remaining for 16 TICIC projects funded during previous evaluation periods.

Two additional loans totaling \$2 million were granted to Housing Development Fund, Inc. an organization that provides affordable housing alternatives and is located in Fairfield, Connecticut. Details are provided within that assessment area evaluation.

Innovative and Flexible Lending Practices

The loan programs under innovative and flexible lending practices increased from the prior evaluation period. During the review period, the bank offered a low interest rate home improvement program for low- and moderate-income borrowers. The loans were offered at a three percent rate for terms up to 20 years. Maximum loan amounts were \$20 thousand. The bank originated or purchased 1,087 combined assessment area loans for \$19.3 million included in the HMDA data analyzed in the individual assessment area evaluations below.

HCSB also offered a low- and moderate-income mortgage program and first time homebuyers program. These programs are offered with various incentives, terms and conditions. Data was not available by assessment area and thus are not evaluated within the separate assessment areas. The low- and moderate-income mortgage program generated 269 loans for \$43.7 million, and the first time homebuyers program provided 28 loans for \$5.5 million during the review period.

Institution (continued)

Lending Test Conclusion:

Performance under the lending test is rated “High Satisfactory.” The bank’s overall volume of lending is very strong. A majority of lending was in the assessment area and increased from the prior performance evaluation, community development lending increased as did the number and dollar amount of loans granted under innovative and flexible programs. The percentage distribution of lending to low- and moderate-income borrowers and lending in low- and moderate-income geographies was satisfactory.

Investment Test:

Under the investment test, the areas reviewed consisted of the institution’s investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

HCSB was responsive to community credit needs through its community development investments and grants to qualified organizations. The bank purchased \$146.6 million in targeted mortgage-backed securities supported by 793 combined assessment area loans to low- and moderate-income borrowers. Two separate investments totaling \$275 thousand were made to Community Development Corporations that lend in low- and moderate-income communities primarily in the NY-Northern NJ MSA assessment area. Community development contributions totaled \$639 thousand, with all but \$46 thousand in the NY-Northern NJ assessment area. These donations were granted through HCSB’s charitable foundation which makes contributions to various community organizations that help serve the needs of low- and moderate-income families and areas.

An investment of \$250 thousand was made to the Connecticut Housing Investment Fund (CHIF), a private non-profit 501(c)(3) tax-exempt organization whose primary purpose is affordable housing lending. This organization offers three distinct services for affordable housing and community development: mortgage lending, third party contract administration, and loan portfolio management and servicing. CHIF is certified by the U.S. Department of Treasury as a Community Development Financial Bank and is approved to conduct community lending activities throughout Connecticut.

In addition, an initial investment of \$7 million was made to the CRA Qualified Investment Fund which allocates a portion of its funds to community development organizations in all five assessment areas. To date, the fund has helped finance affordable rental housing units, mortgages for low and moderate income families, affordable healthcare facilities, economic development programs, childcare services and neighborhood revitalization programs, job creation and job training programs, and statewide home ownership and down payment assistance programs throughout the United States.

Institution (continued)

Individual investments and contributions are highlighted under the appropriate assessment area evaluations.

Investment Test Conclusion:

Performance under the Investment Test is rated “High Satisfactory.” HCSB was responsive to community credit needs through its high level of community development investment activity and charitable grants processed through its charitable foundation.

Service Test:

Under the service test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

HCSB provided a broad range of traditional thrift deposit services and loan products, as well as non-deposit investment products at its branch offices. Deposit services and loan products are readily available to all segments of the community. The bank’s branches are reasonably accessible to all segments of the community, and do not inconvenience low- or moderate-income residents in the combined assessment area.

The bank has 119 branch offices, including its home office in Paramus, New Jersey. Thirty-three branch offices were added during the review period; nineteen were newly opened branches and fourteen from the acquisition of Sound Federal Bank. Of the thirty-three branch offices that were added, twenty-two were in the NY-Northern NJ MSA, six in Fairfield County, Connecticut, and five in Suffolk County, New York. The thirty-three branch additions are located in the following income geographies: three in moderate-income, ten in middle-income, and twenty in upper-income geographies.

All branches have extended hours and there are no material differences in services available at the branch offices. Customers are provided with Automated Teller Machine (ATM) access cards for use in the various networks, providing 24-hour access to funds. The Hudson City ATM card can also be used to make retail purchases wherever MasterCard is accepted.

Institution (continued)

A checking account with no minimum balance requirements or service charges is also offered. The bank provides 24-hour telephone banking and statement account customers have the ability to transfer funds. A website is also available for product information, on-line banking and bill payment.

Community Development Services

Bank management and staff participated in an adequate number of qualified community development service activities for the combined assessment during the review period. The majority of these community development services were provided in the NY-Northern NJ MSA and Fairfield County, Connecticut assessment areas. None were provided in the Suffolk County, New York and Burlington, Camden and Gloucester counties, New Jersey assessment areas.

The qualified community development service activities included organizations that support affordable housing initiatives, neighborhood revitalization, community services and outreach programs for low and moderate-income residents including senior citizens, and housing and support services for special needs populations. Community development service activities also supported programs to provide food to needy populations and organizations serving low- and moderate-income communities, financial literary and consumer credit counseling. Detailed descriptions of community development service activities are provided in the individual assessment area evaluations.

HCSB agreed to sponsor an application for a FHLBNY AHP grant totaling \$500 thousand for Eva's Village, Inc. a non-profit organization. The AHP funds will be used to help construct 50 units of affordable rental housing in Paterson for low-income persons, many of whom will be formerly homeless. The initial application was denied by the FHLBNY AHP, but the application was resubmitted and is pending approval.

Service Test Conclusion:

Performance under the Service Test is rated "Low Satisfactory." This rating is based on the products and services offered, reasonableness of delivery systems and adequate involvement in community development services and organizations in the assessment areas. HCSB offers a competitive retail service product; however, based on financial capacity and resources available to the Bank, participation in community development service could be strengthened.

Institution (continued)

Fair Lending or Other Illegal Credit Practices Review

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified during the concurrent examination where we evaluated compliance with consumer laws and regulations. Should the next independent examination find violations of the substantive provisions of the antidiscrimination laws and regulations, we will conduct a new evaluation taking into consideration the evidence of discriminatory or other illegal practices and assign a new rating accordingly.

Multistate Metropolitan Area

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

CRA Rating for New York-Northern New Jersey, NY-NJ-PA MSA

CRA RATING¹:	Satisfactory
The Lending Test is rated:	High Satisfactory
The Investment Test is rated:	High Satisfactory
The Service Test is rated:	Low Satisfactory

The performance of HCSB was satisfactory, and the volume of lending was strong. The percentage distribution of lending to low- and moderate-income borrowers was strong, especially for 2006, and exceeded that of the HMDA aggregate reporters and the prior performance evaluation. This strong performance is reflected in the market share reports for 2006 HMDA aggregate reporters. The percentage distribution of lending in low- and moderate-income geographies was adequate. Community development lending, including TICIC assessment area projects, provided support for additional housing units for low- and moderate-income individuals and in low- and moderate-income geographies.

Qualified investments and the dollar amounts invested were high and reflected a good response to community credit needs.

Services were broad and accessible to all customers. Management and personnel adequately participated in community development services.

Scope of Examination

The examination included a review of HMDA reportable residential mortgage loans for the 30-month review period of July 1, 2005 through December 31, 2007 for the New York-Northern New Jersey assessment area. The HMDA reportable loans consisted of one-to-four family, refinance, and home improvement loans. Community development loans, innovative and flexible loan products, investments and services were also included.

¹ This rating reflects performance within the multistate metropolitan area. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained within the multistate metropolitan area.

Description of Institution's Operations in New York-Northern New Jersey, NY-NJ-PA MSA Assessment Area

HCSB operated 101 (84.9 percent) of its 119 branches in the 17 county New York-Northern New Jersey assessment area during the review period. For the branches in the state of New Jersey, four offices, all in Essex County, are located in low-income geographies. Eight offices are in moderate-income geographies, including four in Ocean County and one each in Essex, Hudson, and Middlesex; and one in Westchester County, New York. Of the 119 branch network, the greatest concentration of branches was in Bergen County with 24 (20.2 percent), followed by Ocean County with 12 (10.1 percent), Essex County with ten (8.4 percent), and Morris County with 10 (8.4 percent).

Competition for loan and deposit customers was intense in this assessment area. In 2006, 868 lenders originated or purchased more than 468 thousand HMDA - reportable loans for \$123.3 billion. HCSB originated or purchased 86 percent of its combined assessment area loans in this assessment area, just under 37 thousand loans for \$15.3 billion.

The FDIC Summary of Deposits Market Share Report for June 30, 2007 (the latest data available) indicates a market well populated with financial institutions competing for deposits and loans. For its market share of deposits, HCSB ranked 13th with 1.3 percent out of 243 financial institutions. Deposit share is dominated by four banks with 48.9 percent of all deposits.

The substantial majority of lending and deposit taking activity was in this assessment area, as such the greatest weight in the overall evaluation was assigned to performance in this assessment area.

Description of New York-Northern New Jersey, NY-NJ-PA MSA Assessment Area

Located in the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA #35620 are the Metropolitan Divisions of MD #35644 New York-Wayne-White Plains, NY-NJ, MD #20764 Edison, NJ, and MD #35084 Newark-Union, NJ. Table 9 highlights the Metropolitan Divisions (MD) and Metropolitan Statistical Areas (MSA) in the New York-Northern New Jersey assessment area.

<i>Table 9 - New York - Northern New Jersey, NY-NJ-PA MSA Assessment Area</i>			
MD # or MSA#	Metropolitan Division or Metropolitan Statistical Area	County Names	Principal Cities
MD 35644	New York – Wayne – White Plains, NY-NJ	Bergen, Hudson, Passaic, Putnam, Richmond, Rockland, Westchester	Paterson, Jersey City, New City, White Plains
MD 20764	Edison, NJ	Middlesex, Monmouth, Ocean, Somerset	Edison, New Brunswick
MD 35084	Newark- Union, NJ	Essex, Morris, Union	Newark & Elizabeth
MSA 45940	Trenton-Ewing, NJ	Mercer	Trenton
MSA 10900	Allentown-Bethlehem-Easton, PA-NJ	Warren	Hackettstown
MSA 12100	Atlantic City, NJ	Atlantic	Atlantic City

Table 10 illustrates demographic data on population, families, and housing units within this assessment area.

Table 10 - Demographic Data (Based on 2000 U.S. Census Data)	
Demographic Data	2000 Census
Population	7,539,593
Total Families	1,934,822
1-4 Family Units	2,222,896
Multi-family Units	641,143
% Owner-Occupied Units	59%
% Rental-Occupied Units	36%
% Vacant Housing Units	5%
Weighted Average Median Housing	\$208,974

Table 11 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Table 11 - Distribution of Geographies, Families and Housing Units In the NY-Northern NJ MSA Assessment Area						
Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	118	7.0%	85,773	4.4%	81,905	3.7%
Moderate	306	18.1%	297,737	15.4%	328,684	14.8%
Middle	552	32.6%	635,166	32.8%	745,265	33.5%
Upper	704	41.6%	916,146	47.4%	1,067,017	48.0%
Income NA	11	0.7%	0	0.0%	25	0.0%
Total	1,691	100.0%	1,934,822	100.0%	2,222,896	100.0%

Table 12 shows the distribution of families in each income range of the assessment area.

Table 12 - Distribution of Families In the NY-Northern NJ MSA Assessment Area		
Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	351,468	18.2%
Moderate (50% - 79%)	294,698	15.2%
Middle (80% - 119%)	367,678	19.0%
Upper (>= 120%)	920,978	47.6%
Total	1,934,822	100.0%

Low- and moderate-income families comprised 33.4 of the assessment area population based on 2000 census data. There were 6.6 percent of these families living below the poverty level. Based on the 2000 census median housing cost, only families at the higher end of the moderate-income range could find affordable housing available for purchase. Adjusted for more recent median housing

values, the availability of affordable housing for a low- and moderate-income family was limited, particularly in Bergen and Passaic counties where the bank has the strongest representation in its retail branch network. For example, median housing costs were \$253 thousand in Bergen and \$180 thousand in Passaic Counties according to the 2000 census. In 2005, the median selling price of a home was \$466 thousand in Bergen and \$363 thousand in Passaic, respectively, making it difficult for families of low- and moderate-incomes to purchase a home in those counties.

Many opportunities for employment exist in New York City which is within commuting distance, as well as employment in the various corporations located in northern New Jersey. For the southern most counties in the assessment area, the City of Philadelphia offers employment opportunities. For 2007, the unemployment rate for the assessment area averaged 4.1 percent and ranged from a low of three percent in Morris County to a high of 5.8 percent in Atlantic County. For the State of New Jersey and New York, the unemployment rate was 4.2 and 4.5 percent, respectively. Service industries provide the greatest employment in the assessment area followed by retail trade.

A community contact with an affordable housing organization was reviewed during the evaluation. The contact indicated that there continues to be a need for affordable housing due to the high real estate prices. He stated that many low- and moderate-income families need assistance in purchasing a home. The contact indicated that the local financial institutions and businesses are supportive of the organization's efforts and continued involvement is needed.

Conclusions with Respect to Performance Tests in New York-Northern New Jersey, NY-NJ-PA MSA Assessment Area

As part of the CRA review, an analysis of the institution's performance under the lending test, investment test and service test was conducted. In consideration of each test, various reviews were performed to assess the institution's level of performance.

Lending Test:

Under the lending test, the areas reviewed consisted of the institution's lending activity within its assessment area, the geographic distribution of loans, the borrower's profile and evidence that loans were made to all income groups. Additional areas reviewed included the institution's responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities and the use of innovative and flexible loan products to serve the assessment area credit needs.

Lending in the New York-Northern NJ, NY-NJ-PA MSA Assessment Area

Table 13 provides a more detailed picture of the distribution of HMDA-reportable loans within the New York-Northern New Jersey assessment area.

Table 13 - Distribution of HMDA-Reportable Loans By NY-Northern NJ MSA Assessment Area (Dollars in thousands)					
Assessment Area By Number:	7/1/2005 - 12/31/2005	2006	2007	Review Period	% Of Comb AA
AA1 – NY-Northern NJ MSA	4,321	7,901	7,214	19,436	86.0%
By Dollar Amount:					
AA1 – NY-Northern NJ MSA	\$1,348,970	\$2,413,812	\$2,794,759	\$6,557,541	81.4%

HCSB granted 19,436 HMDA reportable loans totaling \$6.6 billion in the New York-Northern New Jersey assessment area. At least 86 percent and 81.4 percent of combined assessment area lending, by the number and dollar amount of loans was concentrated in the northern New Jersey MSA assessment area. As such, greater weight will be given to that assessment area.

The bank originated or purchased 4,938 loans (25.4 percent) totaling \$1.8 billion (27.2) percent by number and dollar amount, respectively, of loans in Bergen and Passaic Counties out of all loans secured by properties located in the New York – Northern New Jersey assessment area. These counties were most impacted by the 2004 OMB reductions in low- and moderate-income geographies and families.

On an annualized basis, the volume of HMDA reportable loans in the New York-Northern New Jersey assessment area increased 14.5 percent and 47.3 percent by number and dollar amount, respectively, compared to the previous evaluation period, and is strong. The volume increased due to several factors which included the acquisition of Sound Federal Savings with expanded branch presence, aggressive retail lending strategies, and wholesale loan purchases.

The bank faced substantial competition for loans in the New York-Northern New Jersey assessment area. During 2006, 868 HMDA lenders originated or purchased over 468.9 thousand loans for \$123.3 billion in this assessment area.

Based on 2006 HMDA aggregate market share data, the bank’s 7,901 assessment area loans totaling \$2.4 billion in 2006, ranked 13th with 1.7 percent and 11th with 2.0 percent market share by number and dollar amount, respectively. The top ten lenders garnered 37.8 and 39.9 percent market share by number and dollar amount, respectively, indicating strong competition. These lenders included the

largest financial institutions and their affiliated mortgage companies, as well as national and local mortgage bankers.

On balance, the volume of lending and the percentage of lending in the assessment area provide a strong response to assessment area credit needs.

Geographic Distribution of Loans

Part of the lending test includes an analysis of HCSB's lending activity with respect to the distribution of loans among geographic areas of different income levels within the assessment area. Table 14 illustrates loan originations and purchases, categorized by geography income level, that were reported by HCSB during each year of the review period, and compares this activity to the 2005 and 2006 aggregate lenders.

Table 14 - Distribution of HCSB's HMDA-Reportable Loans By Geography Income Level in the NY-Northern NJ MSA Assessment Area (Dollars in thousands)										
Geography Inc. Level	7/1/2005 – 12/31/2005		2006		2007		Review Period 7/1/2005 – 12/31/2007		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	60	1.4%	176	2.2%	189	2.6%	425	2.2%	3.6%	4.0%
Moderate	392	9.1%	1,242	15.7%	1,236	17.1%	2,870	14.8%	15.6%	16.8%
Middle	1,047	24.2%	2,129	26.9%	1,588	22.0%	4,764	24.5%	37.7%	37.6%
Upper	2,808	65.0%	4,348	55.1%	4,195	58.2%	11,351	58.4%	43.0%	41.6%
Income NA	14	0.3%	6	0.1%	6	0.1%	26	0.1%	0.1%	0.0%
Total	4,321	100.0%	7,901	100.0%	7,214	100.0%	19,436	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$10,896	0.8%	\$28,397	1.2%	\$38,048	1.4%	\$77,341	1.2%	2.8%	3.3%
Moderate	78,301	5.8%	274,020	11.4%	302,626	10.8%	654,947	10.0%	13.0%	14.3%
Middle	239,495	17.8%	499,283	20.7%	475,380	17.0%	1,214,158	18.5%	32.4%	33.0%
Upper	1,013,830	75.2%	1,609,549	66.6%	1,975,786	70.7%	4,599,165	70.1%	51.7%	49.3%
Income NA	6,448	0.4%	2,563	0.1%	2,919	0.1%	11,930	0.2%	0.1%	0.1%
Total	\$1,348,970	100.0%	\$2,413,812	100.0%	\$2,794,759	100.0%	\$6,557,541	100.0%	100.0%	100.0%

During the review period, the bank provided 3,295 loans in low- and moderate-income geographies for almost \$732.3 million.

The percentage distribution of lending in low- and moderate-income geographies by year and the review period was slightly less than that of the 2005 and 2006 HMDA aggregate reporters, but exceeded that of the prior performance period by number and dollar amount. The actual number and dollar amounts increased as well. This illustrates a positive trend in addressing the credit needs of the community.

Based on 2006 HMDA aggregate market share data in low- and moderate-income geographies, the bank's 1,418 assessment area loans totaling \$302.4 million in 2006, ranked 17th with 1.5 percent and 18th with a 1.4 percent market share by number and dollar amount, respectively. This ranking was

less than the bank’s overall market share ranking of 13th with 1.7 percent and 11th with 2.0 percent market share by number and dollar amount, respectively. The top ten lenders garnered 35.2 and 37.2 percent market share by number and dollar amount, respectively. These lenders included the largest financial institutions and their affiliated mortgage companies, as well as national and local mortgage bankers.

On balance, the bank provided a satisfactory response to the needs of the low- and moderate-income geographies during the review period.

Borrower Characteristics

Part of the lending test includes an analysis of HCSB’s lending activity with respect to the distribution of loans among borrowers of different income levels within this assessment area. Table 15 illustrates loan originations and purchases, categorized by borrower income level, that were reported by HCSB during each year of the review period, and compares this activity to the 2005 and 2006 aggregate lenders.

Table 15 - Distribution of HCSB’s HMDA-Reportable Loans By Borrower Income Level in the NY-Northern NJ MSA Assessment Area (Dollars in thousands)										
Borrower Inc. Level	7/1/2005 – 12/31/2005		2006		2007		Review Period 7/1/2005 – 12/31/2007		Aggregate	
	#	%	#	%	#	%	#	%	2005 % by #	2006 % by #
By Number:										
Low	134	3.1%	433	5.5%	224	3.1%	791	4.1%	2.7%	2.6%
Moderate	344	8.0%	1,052	13.3%	585	8.1%	1,981	10.2%	11.0%	9.6%
Middle	461	10.7%	1,016	12.9%	688	9.5%	2,165	11.1%	20.5%	19.5%
Upper	2,625	60.7%	4,249	53.8%	4,148	57.6%	11,022	56.7%	47.5%	48.9%
Income NA	757	17.5%	1,151	14.5%	1,569	21.7%	3,477	17.9%	18.3%	19.4%
Total	4,321	100.0%	7,901	100.0%	7,214	100.0%	19,436	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$5,122	0.4%	\$35,959	1.5%	\$16,853	0.6%	\$57,934	0.9%	1.2%	1.1%
Moderate	28,210	2.1%	140,185	5.8%	69,981	2.5%	238,376	3.6%	6.7%	5.9%
Middle	74,258	5.5%	185,024	7.7%	134,574	4.8%	393,856	6.0%	15.8%	14.8%
Upper	951,550	70.5%	1,589,816	65.9%	1,893,371	67.8%	4,434,737	67.7%	55.5%	57.1%
Income NA	289,830	21.5%	462,828	19.1%	679,980	24.3%	1,432,638	21.8%	20.8%	21.1%
Total	\$1,348,970	100.0%	\$2,413,812	100.0%	\$2,794,759	100.0%	\$6,557,541	100.0%	100.0%	100.0%

During the review period, the bank provided 2,772 loans to low- and moderate-income borrowers for \$296.3 million.

The percentage distribution of lending to low- and moderate-income borrowers in 2006 was strong and greater than that of the 2006 HMDA aggregate reporters by number of loans and comparable by dollar amount. The percentage distribution of lending to low- and moderate-income borrowers for 2005 was greater than the 2005 HMDA aggregate by number, but less by dollar amount. The percentage distribution of lending for 2007 was comparable by number, but less by dollar amount. For the full review period, the percentage distribution of low- and moderate-income lending exceeded

by number, but less by dollar amount in comparison to the 2005 and 2006 HMDA aggregate reporters. Some of the dollar volume gap may be attributed to the bank’s active promotion of lower dollar volume home improvement loans amongst low- and moderate-income borrowers.

Based on 2006 HMDA aggregate market share data to low- and moderate-income borrowers, the bank’s 1,485 assessment area loans totaling \$176.1 million in 2006 ranked 8th with 2.6 percent, and 10th with 2.0 percent market share by number and dollar amount, respectively. This ranking was greater by number and comparable by dollar amount to the bank’s overall market share ranking of 13th with 1.7 percent, and 11th with 2.0 percent market share by number and dollar amount, respectively, and showed a positive response to helping to meet community credit needs.

On balance, the percentage distribution of lending reflects a strong penetration among borrowers of different income levels, and is also reflected in the strong 2006 market share position.

Community Development Lending

The bank was a participant in TICIC projects in the New York-Northern New Jersey MSA assessment area, providing funding for housing for low- and moderate-income families and individuals, as well as counseling, day care, health care and homeless services for low- and moderate-income and disadvantaged populations. Table 16 highlights the projects HCSB funded during the review period.

Table 16: TICIC Community Development Participation Loans in the New York-Northern New Jersey MSA Assessment Area			
Entity Name	Location	\$(000)	Loan Program
Bayonne Community Action	Bayonne, Hudson County	\$200	Share of \$1.8 million loan to revitalize church and build adjoining facilities to house day care, food pantry, and homeless service programs of Bayonne Community Action Program.
New Community Corp, Harmony House	Newark, Essex County	\$448	Share of \$6.5 million loan to non-profit community development corporation (CDC) to refinance 102 unit transitional housing complex for the homeless and provide funds for new projects.
Total TICIC Loans		\$648	

The bank has \$1.8 million in balances remaining for 16 TICIC projects funded during previous evaluation periods.

Other Community Development Activity:

The bank provided \$2 million in financing to Kensico Terrace, LLC, developers of low- and moderate-income housing. The project is a multi-family dwelling providing 42 units of affordable housing consisting of one and two bedroom apartments. Eligibility includes seniors and families with household incomes at or below 60 percent of Westchester County’s median family income, and will remain affordable for 40 years.

Innovative and Flexible Lending Practices

During the review period, the bank offered a low interest rate home improvement program for low- and moderate-income borrowers. The loans were offered at a three percent rate for terms up to 20 years. Maximum loan amounts were \$20 thousand. The bank originated or purchased 1,087 combined assessment area loans for \$19.3 million included in the HMDA data analyzed in the individual assessment area evaluations below. One thousand loans (92 percent) totaling \$17.8 million (92 percent) were originated in this assessment area.

Lending Test Conclusion:

Performance under the lending test is “High Satisfactory.” The volume of lending is strong and increased since the prior performance evaluation. The percentage distribution of lending to low- and moderate-income borrowers was strong, particularly for 2006, including market share reports. The percentage distribution of lending in low- and moderate-income geographies is satisfactory. Community development lending and innovative and flexible lending products provided support for additional housing opportunities for low- and moderate-income individuals and low- and moderate-income geographies.

Investment Test:

Under the investment test, the areas reviewed consisted of the institution’s investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

HCSB made a significant response to assessment area community credit needs through its community development investments and contributions. Of the \$146.6 million in targeted mortgage-backed securities purchased by the bank, 69.4 percent (\$101.8 million) pertained to and are supported by 585 loans to low- and moderate-income borrowers in the NY-Northern NJ MSA assessment area.

Two separate investments totaling \$275 thousand were made to Community Development Corporations that lend in low- and moderate-income communities primarily in the NY-Northern NJ MSA assessment area. The two corporations are New Jersey Community Capital and the New Community Federal Credit Union.

An initial investment of \$7 million was made to the CRA Qualified Investment Fund which allocates a portion of its funds to community development organizations in the NY-Northern NJ MSA assessment area.

Contributions to qualified organizations benefiting 51 groups in the NY-Northern NJ MSA assessment area totaled \$593 thousand, or 92.8 percent of total contributions made during the review period. These groups support a broad range of community development services including affordable housing development, residential facilities for low-income physically-challenged residents, food pantries, homeless services, and homeownership counseling. Table 17 highlights the activities of some of the groups that received contributions.

Table 17: Community Development Contributions in the northern New Jersey MSA Assessment Area		
Entity Name	Location	Service
Habitat for Humanity- various chapters	Morris County, City of Paterson, Bergen County, Monmouth, and Hudson counties of NJ, Westchester county of NY	Non-profit affordable housing developer
Brand New Day, Inc	Elizabeth	Non-profit affordable housing development agency for LMI families in Union County
Housing Partnership for Morris County	Dover	Affordable housing facilitator for LMI residents of Morris County
Cheshire Home, Inc	Florham Park	Residential and rehabilitative facility for physically challenged adults
Table to Table	Englewood Cliffs	Food distribution service for disadvantaged populations in Bergen, Passaic, Hudson and Essex counties
Fairmount Housing Corp.	Jersey City	Affordable housing developer
Affordable Housing Alliance	Eatontown	Affordable housing provider
New Jersey Community Development Corp.	Paterson	Community development and social service agency sponsoring Individual Development Accounts
St. Paul's Community Development Corp	Paterson	Organization provides shelter and transitional housing, and training for recovering substance abusers
Housing Coalition of Central New Jersey	New Brunswick	Housing rights and homeownership counseling services provided for low-income households
Rebuilding Together, Inc	Ridgewood	Provides housing rehabilitation services in Bergen County
Tri-City Peoples Corp.	East Orange	Provides housing and economic development services in Essex County

Investment Test Conclusion:

Performance under the investment test is “High Satisfactory.” HCSB made a significant response to assessment area community credit needs through the community development investments and contributions.

Service Test:

Under the service test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

The bank has 101 of its 119 branch offices (84.9 percent) in the NY-Northern NJ MSA assessment area. There were significant changes in the branch network due to the Sound Federal Savings acquisition in July 2006, and new branch openings within the review period. Twenty two branches were added to this assessment area since the last examination.

See Table 18 below for breakdown of all branch offices in the assessment area, including those opened and acquired since the last examination and by income geographies within each county/state.

County/State	Total Branches	Opened	Acquired	Low Income	Moderate Income	Middle Income	Upper Income
Atlantic, NJ	1						1
Bergen, NJ	24					3	21
Essex, NJ	10			4	1		5
Hudson, NJ	8				1	5	2
Mercer, NJ	2					1	1
Middlesex, NJ	2	1			1		1
Monmouth, NJ	7	3				4	3
Morris, NJ	10	1				4	6
Ocean, NJ	12				4	8	
Passaic, NJ	4	1				1	3
Somerset, NJ	1	1					1
Union, NJ	3					2	1
Warren, NJ	2					1	1
Putnam, NJ	1		1				1
Richmond, NJ	4	4				1	3
Rockland, NJ	1		1				1
Westchester, NY	9	1	8		1	1	7
Total Number	101	12	10	4	8	31	58
Percent of Total	100.0%			4.0%	7.9%	30.7%	57.4%

The bank’s branch hours of operation are designed to serve the needs of its customers, and offer the same products and services and maintain extended hours. The bank’s branches are reasonably accessible to all segments of the community. Refer to the Combined Assessment Area analysis for detail on these features.

Community Development Services

The majority of the bank’s community development service participation was conducted in the NY-Northern NJ MSA assessment area. Table 19 details the qualified community development service activities that HCSB officers and staff participated in during the review period.

Table 19: Community Development Services in the NY-Northern NJ Assessment Area		
Entity Name	Location	Service
Children's Aid and Family Services	Bergen County	Officer serves on the Board of Trustees that supports and gives oversight to the agency. Board responsibilities include serving on the development sub committee.
Step by Step to Home Ownership seminar conducted at the Housing Partnership Office	Dover, NJ	Staff participated in a home ownership seminar to help educate prospective home buyers and facilitate affordable housing opportunities for low- and moderate-income people who live and work in Morris County.
Table to Table, Inc.	Northern NJ	Officer serves as a board member for this non-profit food rescue organization.
Woodlea/Path Advisory Council	Bergen County	Officer is a board member for organization providing housing for teenage girls and Path1 home for young boys.
St. Paul's Community Development Corporation	Patterson	Staff member helps prepare and serve dinner to 30-40 residents at the shelter for men. This organization provides a variety of social services to the residents of Paterson.
Brown Bag Buddies Program	Northern NJ	Staff collected food to benefit school children who rely on state supplemented programs in Northern NJ and delivered the goods to the Center For Food Action in Mahwah, NJ.
Rebuilding Together	Bergen County	Staff serves as a board member for organization that provides home rehabilitation and renovation services to low-income and elderly individuals, disabled residents and low-income families with children.
Habitat for Humanity of Bergen County	Bergen County	Officer serves as advisory member in non-profit organization dedicated to development of affordable housing for LMI families.
Scholarship Fund for Inner City Children	Essex County	Board member serves on the Board of Trustees that supports and gives oversight to the agency. This non-profit provides financial support for students to attend parochial schools, most from LMI families.
Eva's Village, Inc.	Passaic County	The organization applied for a FHLBNY AHP grant to fund the construction of 50 affordable housing rental units for low-income persons and HCSB has agreed to sponsor the non-profit organization.

As identified above in Table 19, management and staff participated in an adequate number of community development service activities. Qualified service activities included organizations that support affordable housing initiatives, neighborhood revitalization, community services and outreach programs for low- and moderate-income residents, including senior citizens, and housing and support services for special needs populations.

Services Test Conclusion:

Performance under the service test is “Low Satisfactory.” The offices and services are available to most members of the community, and business hours are tailored for the convenience of the community. Management and personnel participated in an adequate number of community development service and organizations based on resources available to the Bank.

State

Summary

CRA Rating for Connecticut

CRA RATING²:

The Lending Test is rated:

The Investment Test is rated:

The Service Test is rated:

Satisfactory

Low Satisfactory

High Satisfactory

Low Satisfactory

The performance of HCSB was marginally satisfactory. Fairfield County became part of HCSB's assessment area after the acquisition of Sound Federal Savings, and the subsequent opening of new branches during the review period. The volume of lending was good for this new assessment area, but the percentage distribution to low- and moderate-income borrowers and geographies was marginally satisfactory. Community development lending, including TICIC assessment area projects, provided support for additional housing units for low- and moderate-income individuals and in low- and moderate-income geographies.

Qualified investments and the dollar amounts invested were high and reflected a good response to community credit needs.

Services were broad and accessible to all customers. Management and personnel adequately participated in community development services.

Scope of Examination

The examination included a review of HMDA reportable residential mortgage loans for the 30-month review period of July 1, 2005 through December 31, 2007 for the Fairfield County, Connecticut assessment area. The HMDA reportable loans consisted of one-to-four family, refinance, and home improvement loans. Community development loans, innovative and flexible loan products, investments and services were also included.

² For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

State Metropolitan Area & State Reviewed

(for metropolitan areas with some or all assessment areas reviewed using full-scope review)

Description of Institution’s Operations in Fairfield County, CT Assessment Area

Fairfield County became part of the bank’s assessment area upon the July 2006 acquisition of Sound Federal Savings. After the acquisition, HCSB operated six (five percent) out of its 119 branches in the combined assessment during the review period. Lending was limited for 2005 and increased for 2006 and 2007 during the review period. Overall lending represented seven percent of the number of loans, and 11.2 percent of the dollar amount of combined assessment area loans. As a result, limited weight in the overall evaluation was assigned to performance in this assessment area.

Description of Fairfield County, CT Assessment Area

HCSB’s Connecticut assessment area consists of Fairfield County. This assessment area, which comprises all of the Bridgeport-Stamford-Norwalk, CT MSA #14860, contains 209 geographies. Table 20 highlights the Metropolitan Statistical Areas (MSA) in the Fairfield County, CT assessment area.

MSA#	Metropolitan Statistical Area	County Name	Principal Cities
MSA 14860	Bridgeport-Stamford-Norwalk, CT	Fairfield	Stamford

Table 21 illustrates demographic data on population, families, and housing units within the Fairfield County assessment area.

Demographic Data	2000 Census
Population	882,567
Total Families	229,851
1-4 Family Units	280,083
Multi-family Units	58,105
% Owner-Occupied Units	66%
% Rental-Occupied Units	29%
% Vacant Housing Units	5%
Weighted Average Median Housing	\$297,989

Table 22 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Table 22 - Distribution of Geographies, Families and Housing Units Fairfield County, CT Assessment Area						
Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	27	12.9%	20,533	8.9%	20,964	7.5%
Moderate	43	20.6%	47,620	20.7%	56,773	20.3%
Middle	68	32.5%	79,087	34.4%	99,025	35.4%
Upper	71	34.0%	82,611	36.0%	103,321	36.8%
Total	209	100.0%	229,851	100.0%	280,083	100.0%

Table 23(a) indicates the median family income ranges of each income category based on the 2007 HUD adjustment; table 23(b) reflects the updated HUD median family income for each year during the review period; and table 23(c) shows the distribution of families in each income range of the assessment area.

Table 23(a) - Median Family Income Ranges (*)		
Income Category (As % of MSA Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$46,699
Moderate (50% - 79%)	\$46,700	\$74,719
Middle (80% - 119%)	\$74,720	\$112,079
Upper (>= 120%)	\$112,080	+

Table 23(b) - Annual HUD Median Family Income	
Year	Amount
2005	\$91,200
2006	\$95,900
2007	\$93,400

* Based on HUD 2007 Median Family Income of the MSA

Table 23(c)- Distribution of Families Fairfield County, CT Assessment Area		
Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	49,667	21.6%
Moderate (50% - 79%)	39,659	17.3%
Middle (80% - 119%)	45,008	19.6%
Upper (>= 120%)	95,517	41.5%
Total	229,851	100.0%

Low- and moderate-income families comprised 38.9 of the assessment area population based on the 2000 census data. There were five percent of these families living below the poverty level. Fairfield is a wealthy county, and yet, also has cities that have need of affordable housing. With a high median family income, it is difficult for low- and moderate-income families to purchase homes without some form of financial assistance. For example, median housing costs were \$298 thousand in Fairfield

County according to the 2000 census. In 2005, the median selling price of a home was \$488 thousand. A community contact with an affordable housing organization was reviewed during the evaluation. The contact indicated that there continues to be a need for affordable housing.

There was substantial competition for loans and deposits in the assessment area. The FDIC Summary of Deposits Market Share Report for June 30, 2007 (the latest data available) indicates HCSB ranked 15th with 1.2 percent out of 32 financial institutions. Deposit share is dominated by four banks with 58.9 percent of all deposits.

For 2007, the unemployment rate for the assessment area was four percent, and for the State of Connecticut, 4.6 percent. Service industries provide the greatest employment in the assessment area followed by retail trade.

Conclusions with Respect to Performance Tests in Fairfield County, CT Assessment Area

As part of the CRA review, an analysis of the institution's performance under the lending test, investment test and service test was conducted. In consideration of each test, various reviews were performed to assess the institution's level of performance.

Lending Test:

Under the lending test, the areas reviewed consisted of the institution's lending activity within its Fairfield County assessment area, the geographic distribution of loans, the borrower's profile and evidence that loans were made to all income groups. Additional areas reviewed included the institution's responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities and the use of innovative and flexible loan products to serve the assessment area credit needs.

Lending in the Fairfield County, CT Assessment Area

Table 24 provides a more detailed picture of the distribution of HMDA-reportable loans within the assessment area. HCSB granted 1,588 HMDA reportable loans totaling \$900 million in the Fairfield County assessment area.

Table 24 - Distribution of HMDA-Reportable Loans By Fairfield County CT Assessment Area (Dollars in thousands)					
Assessment Area By Number:	7/1/2005 - 12/31/2005	2006	2007	Review Period	% Of Comb AA
AA2 – Fairfield County, CT	50	332	1,206	1,588	7.0%
By Dollar Amount:					
AA2 – Fairfield County, CT	30,474	176,353	693,220	900,047	11.2%

Table 24 reveals that 7.0 percent and 11.2 percent of assessment area lending, by the number and dollar amount of loans, was secured by properties located in the Fairfield, Connecticut assessment area. As such, minimal weight was given to this assessment area. Consistent with CRA regulatory requirements, as Fairfield County is non-contiguous and located in another state; a state evaluation was conducted. Lending increased as the bank acquired Sound Federal Savings and its resultant branch network in 2006.

The bank faced substantial competition for loans in the Fairfield County assessment area. During 2006, 539 HMDA lenders originated or purchased over 56 thousand loans totaling \$19.3 billion in this assessment area.

Based on 2006 HMDA aggregate market share data, the bank’s 332 assessment area loans totaling \$176.4 million in 2006 ranked 40th with 0.6 percent, and 22nd with 0.9 percent market share by number and dollar amount, respectively. The top ten lenders garnered 41.8 and 47.2 percent market share by number and dollar amount, respectively, indicating strong competition. These lenders included the largest financial institutions and their affiliated mortgage companies, as well as national and local mortgage bankers.

Geographic Distribution of Loans

Part of the lending test includes an analysis of HCSB’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the Fairfield County assessment area. Table 25 illustrates loan originations and purchases, categorized by geography income level, that were reported by HCSB during each year of the review period, and compares this activity to the 2005 and 2006 aggregate lenders.

Table 25 - Distribution of HCSB's HMDA-Reportable Loans By Geography Income Level in Fairfield County, CT Assessment Area (Dollars in thousands)										
Geography Inc. Level	7/1/05 - 12/31/05		2006		2007		Review Period 7/1/05 - 12/31/07		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	0	0.0%	8	2.4%	37	3.1%	45	2.8%	7.3%	8.2%
Moderate	1	2.0%	78	23.5%	248	20.6%	327	20.6%	25.1%	26.4%
Middle	11	22.0%	70	21.1%	199	16.5%	280	17.6%	35.1%	35.7%
Upper	38	76.0%	176	53.0%	722	59.8%	936	59.0%	32.5%	29.7%
Total	50	100.0%	332	100.0%	1,206	100.0%	1,588	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$0	0.0%	\$961	0.5%	\$7,585	1.1%	\$8,546	0.9%	4.0%	4.7%
Moderate	407	1.3%	20,169	11.4%	59,198	8.5%	79,774	8.9%	14.4%	15.7%
Middle	5,143	16.9%	33,703	19.1%	90,304	13.0%	129,150	14.3%	27.4%	27.7%
Upper	24,924	81.8%	121,520	69.0%	536,133	77.4%	682,577	75.9%	54.2%	51.9%
Total	\$30,474	100.0%	\$176,353	100.0%	\$693,220	100.0%	\$900,047	100.0%	100.0%	100.0%

During the review period, the bank provided 372 loans in low- and moderate-income geographies for \$88.3 million.

The percentage distribution of lending in low- income geographies was less than the 2005 and 2006 HMDA aggregate reporters by number and dollar amount. The percentage distribution of lending in moderate- income geographies showed a stronger penetration, but was still slightly less than the 2005 and 2006 HMDA aggregate reporters by number and dollar amount. The bank's actual volume of lending by number and dollar increased for 2007 and illustrates a positive trend in addressing the credit needs of the community.

Based on 2006 HMDA aggregate market share data in low- and moderate-income geographies, the bank's 86 assessment area loans totaling \$21.1 million in 2006 ranked 50th with 0.4 percent, and 45th with 0.5 percent market share by number and dollar amount, respectively. This ranking was less than the bank's overall market share ranking of 40th with 0.6 percent, and 22nd with 0.9 percent market share by number and dollar amount, respectively.

On balance, the bank provided a marginally adequate response to the needs of the low- and moderate-income geographies during the review period.

Borrower Characteristics

Part of the lending test includes an analysis of HCSB's lending activity with respect to the distribution of loans among borrowers of different income levels within the Fairfield assessment area. Table 26 illustrates loan originations, categorized by borrower income level, that were reported by

HCSB during each year of the review period, and compares this activity to the 2005 and 2006 aggregate lenders.

Table 26 - Distribution of HCSB's HMDA-Reportable Loans By Borrower Income Level in Fairfield County, CT Assessment Area (Dollars in thousands)										
Borrower Inc. Level	7/1/05 - 12/31/05		2006		2007		Review Period 7/1/05 - 12/31/07		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	0	0.0%	16	4.8%	47	3.9%	63	4.0%	5.7%	5.4%
Moderate	0	0.0%	18	5.4%	100	8.3%	118	7.4%	17.8%	16.8%
Middle	0	0.0%	42	12.7%	110	9.1%	152	9.6%	22.1%	21.6%
Upper	0	0.0%	144	43.4%	718	59.5%	862	54.3%	36.9%	37.2%
Income NA	50	100.0%	112	33.7%	231	19.2%	393	24.7%	17.5%	19.0%
Total	50	100.0%	332	100.0%	1,206	100.0%	1,588	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$0	0.0%	\$2,164	1.2%	\$6,395	0.9%	\$8,559	1.0%	2.1%	2.0%
Moderate	0	0.0%	3,805	2.2%	18,356	2.6%	22,161	2.5%	9.3%	8.7%
Middle	0	0.0%	11,043	6.3%	29,063	4.2%	40,106	4.5%	15.1%	14.2%
Upper	0	0.0%	91,147	51.7%	497,728	71.9%	588,875	65.4%	55.6%	56.0%
Income NA	30,474	100.0%	68,194	38.6%	141,678	20.4%	240,346	26.6%	17.9%	19.1%
Total	\$30,474	100.0%	\$176,353	100.0%	\$693,220	100.0%	\$900,047	100.0%	100.0%	100.0%

During the review period, the bank provided 181 loans to low- and moderate-income borrowers for \$30.7 million.

The percentage distribution of lending to moderate- income borrowers was less than the 2005 and 2006 HMDA aggregate reporters by number and dollar amount. The percentage distribution of lending to low- income borrowers showed a stronger penetration, but was still less than the 2005 and 2006 HMDA aggregate reporters by number and dollar amount. The bank's actual volume of lending by number and dollar increased for 2007.

Based on 2006 HMDA aggregate market share data to low- and moderate-income borrowers, the bank's 34 assessment area loans totaling \$6.0 million in 2006 ranked 78th with 0.3 percent, and 73rd with 0.3 percent market share by number and dollar amount, respectively. This ranking was less by number and dollar amount to the bank's overall market share ranking of 40th with 0.6 percent, and 22nd with 0.9 percent market share by number and dollar amount, respectively.

On balance, the bank provided a marginally adequate response to low- and moderate-income borrowers during the review period.

Community Development Lending

The bank committed \$2 million in financing to Housing Development Fund, Inc. Funds I and II, which fund affordable housing projects. Fund I includes the preservation, rehabilitation and

construction of affordable rental housing units and homeownership for low- and moderate-income buyers in Fairfield County, Connecticut. Fund II is a buyer assistance loan program called Smart Move which provides financing alternatives to low- and moderate-income families to help purchase affordable homes in Fairfield County, Connecticut and surrounding areas.

Innovative and Flexible Lending Practices

During the review period, the bank offered a low interest rate home improvement program for low- and moderate-income borrowers. The loans were offered at a three percent rate for terms up to 20 years. Maximum loan amounts were \$20 thousand. Eleven loans (1.0 percent) totaling \$193.5 thousand (1.0 percent) were originated in this assessment area.

Lending Test Conclusion:

Performance under the lending test is “Low Satisfactory.” Lending volume increased in 2006 and 2007; however, the percentage distribution of lending to low and moderate-income borrowers and geographies needs strengthening. Community development lending and innovative and flexible lending products helped to serve community credit needs.

Investment Test:

Under the investment test, the areas reviewed consisted of the institution’s investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Fairfield County, CT is a new assessment area which resulted from the Sound Federal Savings acquisition in 2006. During this review period, the bank provided community development funding through mortgage-backed security investments and grants to qualified organizations. Of the \$146.6 million in targeted mortgage-backed securities purchased by the bank, 7.9 percent (\$11.6 million) pertained to and are supported by 46 loans to low- and moderate-income borrowers in Fairfield County.

An investment of \$250 thousand was made to the Connecticut Housing Investment Fund (CHIF), a private non-profit 501(c)(3) tax-exempt organization whose primary purpose is affordable housing lending. The \$250 thousand investment was used to fund a loan for a property located in the Fairfield County, CT assessment area as part of the CHIF Neighborhood Rebuilder Program.

Contributions to qualified organizations benefiting four groups in the Fairfield County, CT assessment area totaled \$21 thousand, or 3.3 percent of total contributions made during the review period. The groups are as follows: (1) AmeriCares/Homefront – provides free repairs to low-income

homeowners; (2) Housing Development Fund – facilitates the development of affordable housing; (3) Jewish Family Services of Greenwich – provides a broad spectrum of human services; and (4) United Way of Greenwich – provides a variety of health and human services.

Investment Test Conclusion:

Performance under the investment test is “High Satisfactory.” HCSB made a significant response to assessment area community credit needs through the community development investments and contributions.

Service Test:

Under the service test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

The bank has 6 of its 119 branch offices (5 percent) in the Fairfield County, CT assessment area. All of the branches were new additions since the last examination. Four branches were directly related to the acquisition of Sound Federal Savings in 2006 and the other two branches were opened subsequently in 2007. Of those six branch offices, four are located in middle-income geographies, and two in upper-income geographies.

The bank’s branch hours of operation are designed to serve the needs of its customers, and offer the same products and services and maintain extended hours. Refer to the Combined Assessment Area analysis for detail on these features.

Community Development Services

Bank staff participated in a qualified community development service activity within the Fairfield County, CT assessment area during the review period. The staff member’s participation consisted of serving as a committee member for the organization Housing Development Fund, Inc. (HDF). This organization’s mission is to “facilitate the development of affordable housing, both rental and homeownership, and to assist households to become owners of affordable homes.” HDF offers a variety of programs to assist individuals in their endeavor to acquire affordable housing in the Fairfield County and surrounding areas.

Services Test Conclusion:

Performance under the service test is “Low Satisfactory.” The offices and services are available to most members of the community, and business hours are tailored for the convenience of the community. Management and personnel adequately participated in community development services.

State

Summary

CRA Rating for New York

CRA RATING³:

The Lending Test is rated:

The Investment Test is rated:

The Service Test is rated:

Satisfactory

High Satisfactory

High Satisfactory

Low Satisfactory

The performance of HCSB was satisfactory, and the volume of lending increased from the prior performance period for the Suffolk County, New York assessment area. The percentage distribution of lending to low and moderate-income borrowers and geographies, particularly for 2006 was strong. Even though the percentage distribution of lending decreased in 2007 for low- and moderate-income borrowers and geographies, the review period was comparable to the aggregate lenders. Innovative and flexible lending products helped to serve community credit needs.

Qualified investments and the dollar amounts invested were high and reflected a good response to community credit needs.

Services were broad and accessible to all customers. No community development services were performed.

Scope of Examination

The examination included a review of HMDA reportable residential mortgage loans for the 30-month review period of July 1, 2005 through December 31, 2007 for the Suffolk County, New York assessment area. The HMDA reportable loans consisted of one-to-four family, refinance, and home improvement loans. Innovative and flexible loan products and investments were also included.

³ For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

State Metropolitan Area & State Reviewed

(for metropolitan areas with some or all assessment areas reviewed using full-scope review)

Description of Institution’s Operations in Suffolk County, NY MD

The bank maintained seven branches in this assessment area. Three branches are in moderate-income geographies, one each in East Hampton, Greenport and Riverhead. Four branches are located in middle-income geographies, one each in Southold and Hampton Bays, Westhampton Beach, and Southampton. Lending was limited during the review period, representing 5.1 percent of the number of loans, and 6.5 percent of the dollar amount of combined assessment area loans.

The bank did not have a retail banking presence in the assessment area until November 2004 when the Southold Township branch opened. The Hampton Bays branch, in Southampton Township opened in April 2005. Since that time, the bank opened five branches, two in 2005, one in 2006 and two in 2007 to increase its presence in the assessment area. Based on the low volume of lending, limited weight in the overall evaluation was assigned to performance in this assessment area.

Description of Suffolk County, NY MD Assessment Area

HCSB’s New York state assessment area consists all of Suffolk County. This assessment area, which is located in the Nassau-Suffolk, NY Metropolitan Division (MD) #35004, contains 320 geographies. Table 27 highlights the Metropolitan Divisions (MD) in the New York assessment area.

Table 27 - Nassau-Suffolk, NY MD Assessment Area			
MD#	Metropolitan Statistical Area	County Name	Principal Cities
MD 35004	Nassau – Suffolk, NY	Suffolk	Huntington

Table 28 illustrates demographic data on population, families, and housing units within the Suffolk County assessment area.

Table 28 - Demographic Data (Based on 2000 U.S. Census Data)	
Demographic Data	2000 Census
Population	1,419,369
Total Families	362,857
1-4 Family Units	478,870
Multi-family Units	37,980
% Owner-Occupied Units	72%
% Rental-Occupied Units	18%
% Vacant Housing Units	10%
Weighted Average Median Housing	\$207,175

Table 29 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Table 29 - Distribution of Geographies, Families and Housing Units Suffolk County, NY Assessment Area						
Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	2	0.6%	1,241	0.3%	1,971	0.4%
Moderate	64	20.0%	75,838	20.9%	104,083	21.7%
Middle	197	61.6%	227,856	62.8%	303,301	63.4%
Upper	49	15.3%	57,922	16.0%	69,515	14.5%
Income NA	8	2.5%	0	0.0%	0	0.0%
Total	320	100.0%	362,857	100.0%	478,870	100.0%

Table 30(a) indicates the median family income ranges of each income category based on the 2007 HUD adjustment; table 30(b) reflects the updated HUD median family income for each year during the review period; and table 30(c) shows the distribution of families in each income range of the assessment area.

Table 30(a) - Median Family Income Ranges (*)		
Income Category (As % of MD Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$46,899
Moderate (50% - 79%)	\$46,900	\$75,039
Middle (80% - 119%)	\$75,040	\$112,559
Upper (>= 120%)	\$112,560	+

Table 30(b) - Annual HUD Median Family Income	
Year	Amount
2005	\$88,850
2006	\$91,000
2007	\$93,800

* Based on HUD 2007 Median Family Income of the MD

Table 30(c)- Distribution of Families Suffolk County, NY Assessment Area		
Family Income Category (As a % of MD Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	70,052	19.3%
Moderate (50% - 79%)	72,922	20.1%
Middle (80% - 119%)	91,882	25.3%
Upper (>= 120%)	128,001	35.3%
Total	362,857	100.0%

Low- and moderate-income families comprised 39.4 of the assessment area population based on 2000 census data. There were four percent of these families living below the poverty level. Suffolk County is a suburban area, and yet also has cities that have the need for affordable housing. With a high median family income, it is difficult for low- and moderate-income families to purchase homes without some form of financial assistance. For example, median housing costs were \$207 thousand

in Suffolk County according to the 2000 census. In 2005, the median selling price of a home was \$325 thousand.

A community contact with an affordable housing organization was reviewed during the evaluation. The contact indicated that there continues to be a need for affordable housing. He stated construction costs and zoning requirements create homeownership impediments for low- and moderate-income families.

There was substantial competition for loans and deposits in the assessment area. The FDIC Summary of Deposits Market Share Report for June 30, 2007 (the latest data available) indicates HCSB ranked 16th with 1.1 percent out of 28 financial institutions. Deposit share is dominated by four banks with 58.5 percent of all deposits.

For 2007, the unemployment rate for the assessment area was 3.8 percent, and for the State of New York, 4.5 percent. Service industries provide the greatest employment in the assessment area followed by retail trade and construction.

Conclusions with Respect to Performance Tests in Suffolk County, NY Assessment Area

As part of the CRA review, an analysis of the institution's performance under the lending test, investment test and service test was conducted. In consideration of each test, various reviews were performed to assess the institution's level of performance.

Lending Test:

Under the lending test, the areas reviewed consisted of the institution's lending activity within its assessment area, the geographic distribution of loans, the borrower's profile and evidence that loans were made to all income groups. Additional areas reviewed included the institution's responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities and the use of innovative and flexible loan products to serve the assessment area credit needs.

Lending in Suffolk County, NY Assessment Area

Table 31 provides a more detailed picture of the distribution of HMDA-reportable loans within the assessment area. HCSB granted 1,147 HMDA reportable loans totaling \$525.2 million in the Suffolk County assessment area. Lending increased from the prior performance evaluation.

Table 31 - Distribution of HMDA-Reportable Loans By Suffolk County Assessment Area (Dollars in thousands)					
Assessment Area By Number:	7/1/2005 - 12/31/2005	2006	2007	Review Period	% Of Comb AA
AA3 – Suffolk County, NY	208	515	424	1,147	5.1%
By Dollar Amount:					
AA3 – Suffolk County, NY	105,953	173,210	245,953	525,116	6.5%

Table 31 reveals that 5.1 percent and 6.5 percent of assessment area lending, by the number and dollar amount of loans, was secured by properties located in the Suffolk, New York assessment area. As such, minimal weight will be given to this assessment area. Consistent with CRA regulatory requirements, as Suffolk County is non-contiguous and located in another state; a state evaluation will be conducted.

The bank faced substantial competition for loans in the Suffolk County assessment area. During 2006, 457 HMDA lenders originated or purchased over 96 thousand loans for \$26.4 billion in this assessment area.

Based on 2006 HMDA aggregate market share data, the bank’s 515 assessment area loans totaling \$173.2 million in 2006 ranked 38th with 0.5 percent, and 28th with 0.7 percent market share by number and dollar amount, respectively. The top ten lenders garnered 40.8 and 43.4 percent market share by number and dollar amount, respectively, indicating strong competition. These lenders included the largest financial institutions and their affiliated mortgage companies, as well as national and local mortgage bankers.

Geographic Distribution of Loans

Part of the lending test includes an analysis of HCSB’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the Suffolk County assessment area. Table 32 illustrates loan originations and purchases, categorized by geography income level, that were reported by HCSB during each year of the review period, and compares this activity to the 2005 and 2006 aggregate lenders.

**Table 32 - Distribution of HCSB's HMDA-Reportable Loans
By Geography Income Level in Suffolk County, NY Assessment Area
(Dollars in thousands)**

Geography Inc. Level	7/1/05 - 12/31/05		2006		2007		Review Period 7/1/05 – 12/31/07		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	0	0.0%	2	0.4%	3	0.7%	5	0.4%	0.6%	0.7%
Moderate	26	12.5%	198	38.4%	101	23.8%	325	28.3%	28.9%	29.5%
Middle	117	56.2%	258	50.1%	228	53.8%	603	52.6%	60.1%	59.8%
Upper	65	31.3%	57	11.1%	92	21.7%	214	18.7%	10.4%	10.0%
Total	208	100.0%	515	100.0%	424	100.0%	1,147	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$0	0.0%	\$140	0.1%	\$565	0.2%	\$705	0.1%	0.4%	0.5%
Moderate	10,744	10.1%	54,193	31.3%	47,506	19.3%	112,443	21.4%	24.0%	24.6%
Middle	58,870	55.6%	91,499	52.8%	137,344	55.9%	287,713	54.8%	61.6%	61.7%
Upper	36,339	34.3%	27,378	15.8%	60,538	24.6%	124,255	23.7%	14.0%	13.2%
Total	\$105,953	100.0%	\$173,210	100.0%	\$245,953	100.0%	\$525,116	100.0%	100.0%	100.0%

During the review period, the bank provided 330 loans in low- and moderate-income geographies for \$113.1 million.

The percentage distribution of lending in low- income geographies was less than the 2005 and 2006 HMDA aggregate reporters by number and dollar amount. The percentage distribution of lending in moderate- income geographies was strong, particularly for 2006, and exceeded that of the 2006 HMDA aggregate reporters. The bank's actual volume of lending by number and dollar increased for 2007 and illustrates a positive trend in addressing the credit needs of the community. For the full review period, the percentage distribution of lending in low- and moderate-income geographies was comparable to the aggregate reporters.

Based on 2006 HMDA aggregate market share data in low- and moderate-income geographies, the bank's 200 assessment area loans totaling \$54.3 million in 2006 ranked 34th with 0.7 percent, and 26th with 0.8 percent market share by number and dollar amount, respectively. This ranking was slightly higher than the bank's overall market share ranking of 38th with 0.5 percent, and 28th with 0.7 percent market share by number and dollar amount, respectively

On balance, the bank provided a satisfactory response to the credit needs in low- and moderate-income geographies during the review period.

Borrower Characteristics

Part of the lending test includes an analysis of HCSB's lending activity with respect to the distribution of loans among borrowers of different income levels within the Suffolk County assessment area. Table 33 illustrates loan originations and purchases, categorized by borrower

income level, that were reported by HCSB during each year of the review period, and compares this activity to the 2005 and 2006 aggregate lenders.

Table 33 - Distribution of HCSB's HMDA-Reportable Loans By Borrower Income Level in Suffolk County, NY Assessment Area (Dollars in thousands)										
Borrower Inc. Level	7/1/05 - 12/31/05		2006		2007		Review Period 7/1/05 - 12/31/07		Aggregate	
	#	%	#	%	#	%	#	%	2005	2006
By Number:									% by #	% by #
Low	2	1.0%	33	6.4%	12	2.8%	47	4.1%	3.6%	3.3%
Moderate	4	1.9%	130	25.2%	28	6.6%	162	14.1%	17.0%	13.3%
Middle	8	3.8%	81	15.7%	19	4.5%	108	9.4%	30.8%	29.6%
Upper	37	17.8%	132	25.7%	139	32.8%	308	26.9%	32.6%	36.7%
Income NA	157	75.5%	139	27.0%	226	53.3%	522	45.5%	16.0%	17.1%
Total	208	100.0%	515	100.0%	424	100.0%	1,147	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$120	0.1%	\$4,365	2.5%	\$515	0.2%	\$5,000	1.0%	1.7%	1.5%
Moderate	390	0.4%	23,841	13.8%	3,764	1.5%	27,995	5.3%	12.0%	8.9%
Middle	1,877	1.8%	18,897	10.9%	4,524	1.8%	25,298	4.8%	25.9%	24.0%
Upper	21,416	20.2%	51,381	29.7%	97,288	39.6%	170,085	32.4%	42.8%	48.0%
Income NA	82,150	77.5%	74,726	43.1%	139,862	56.9%	296,738	56.5%	17.6%	17.6%
Total	\$105,953	100.0%	\$173,210	100.0%	\$245,953	100.0%	\$525,116	100.0%	100.0%	100.0%

During the review period, the bank provided 209 loans to low- and moderate-income borrowers for \$33 million.

The percentage distribution of lending to low- moderate- income borrowers for 2006 was greater than the 2006 HMDA aggregate reporters by number and dollar amount, and was strong. The percentage distribution of lending to low- and moderate-income borrowers for 2005 and for 2007 was less than that of the 2005 and 2006 HMDA aggregate reporters. Even though the percentages are lower, the bank's volume of lending by dollar increased for 2007 and illustrates a positive trend in addressing the credit needs of the community.

Based on 2006 HMDA aggregate market share data to low- and moderate-income borrowers, the bank's 163 assessment area loans totaling \$28.2 million in 2006 ranked 23rd with 1.02 percent, and 25th with 1.02 percent market share by number and dollar amount, respectively. This ranking was greater by number and comparable by dollar amount to the bank's overall market share ranking of 38th with 0.5, and 28th with 0.7 percent market share by number and dollar amount, respectively.

On balance, the bank provided a satisfactory response to the needs of the low- and moderate-income borrowers during the review period.

Community Development Lending

The bank did not provide any community development loans in this assessment area during the review period.

Innovative and Flexible Lending Practices

During the review period, the bank offered a low interest rate home improvement program for low- and moderate-income borrowers. The loans were offered at a three percent rate for terms up to 20 years. Maximum loan amounts were \$20 thousand. Forty-four loans (4.0 percent) totaling \$774.2 thousand (4.0 percent) were originated in this assessment area.

Lending Test Conclusion:

Performance under the lending test is “High Satisfactory.” The percentage distribution of lending to low and moderate-income borrowers and geographies, particularly for 2006 was strong. Even though the percentage distribution of lending decreased in 2007 for low- and moderate-income borrowers and geographies, the review period was comparable to the aggregate lenders. Innovative and flexible lending products helped to serve community credit needs.

Investment Test:

Under the investment test, the areas reviewed consisted of the institution’s investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Since the last examination, HCSB has increased its role in providing community development funding within the Suffolk County, NY assessment area through mortgage-backed security investments and grants to qualified organizations. Of the \$146.6 million in mortgage-backed securities purchased by the bank, 10.7 percent (\$15.7 million) pertained to and are supported by 46 loans to low- and moderate-income borrowers in Suffolk County.

Contributions to qualified organizations benefiting groups in the Suffolk County, NY assessment area totaled \$15 thousand, or 2.4 percent of total contributions made during the review period. The beneficiary of the contribution was Habitat for Humanity for Suffolk which is a non-profit affordable housing developer.

Investment Test Conclusion:

Performance under the lending test is “High Satisfactory.” HCSB made a significant response to assessment area community credit needs through the community development investments and contributions.

Service Test:

Under the service test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

The bank has 7 of its 119 branch offices (5.9 percent) in the Suffolk County, NY assessment area. Five of the seven branches were new additions since the last examination. Two were opened in 2005, one in 2006, and the other two in 2007. Of the seven branch offices, three are located in moderate-income geographies, and four in middle-income geographies.

The bank’s branch hours of operation are designed to serve the needs of its customers, and offer the same products and services and maintain extended hours. Refer to the Combined Assessment Area analysis for detail on these features.

Community Development Services

HCSB personnel did not participate in any community development service activities within the Suffolk County, NY assessment area.

Services Test Conclusion:

Performance under the service test is “Low Satisfactory.” The offices and services are available to most members of the community, and business hours are tailored for the convenience of the community. No community development services were performed.

State

Summary

CRA Rating for New Jersey

CRA RATING⁴:

The Lending Test is rated:

The Investment Test is rated:

The Service Test is rated:

Satisfactory

High Satisfactory

High Satisfactory

Low Satisfactory

The percentage distribution of lending in the Burlington-Camden Counties and the Gloucester County assessment areas to low- and moderate-income borrowers and in low- and moderate-income geographies was strong. The volume of lending was limited but increased from the prior performance evaluation. Innovative and flexible lending products were also provided.

Investments in targeted mortgage back securities showed a positive response to community credit needs.

Retail services provided were broad and accessible to all customers. No community development services were performed.

Scope of Examination

The examination included a review of HMDA reportable residential mortgage loans for the 30-month review period of July 1, 2005 through December 31, 2007 for the Burlington-Camden, NJ assessment area, and the Gloucester County assessment area. The HMDA reportable loans consisted of one-to-four family, refinance, and home improvement loans. Innovative and flexible loan products were also included.

Description of Institution's Operations in New Jersey

One of HCSB's New Jersey assessment areas consists of portions of Burlington and Camden Counties. This assessment area, which is located in the Camden, NJ MD #15804, contains 45 geographies. The other NJ assessment area consists of a portion of Gloucester County and contains

⁴ For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

18 geographies. While this assessment area is also in the Camden, NJ MD, it is not contiguous to the Burlington-Camden, NJ assessment area and is evaluated separately.

Table 34 highlights the Metropolitan Division (MD) in the Burlington-Camden, NJ and the Gloucester, NJ assessment areas.

<i>Table 34 - Burlington-Camden, NJ and Gloucester NJ MD Assessment Areas</i>			
MD#	Metropolitan Division	County Name	Principal Cities
MD 15804	Camden, NJ	Burlington, Camden	Burlington, Camden
MD 15804	Camden, NJ	Gloucester	Williamstown

The bank maintains five branches in these assessment areas. Three are located in Camden County, of which two in Cherry Hill, and one in Haddonfield. One branch is located in Burlington County in Cinnaminson. The one branch in Gloucester County is located in Woodbury Heights. The Burlington County branch and one Camden County branch are located in upper-income geographies. The two other Camden County offices are located in middle-income geographies.

The lending was limited in both assessment areas during the review period but increased from the prior evaluation period. For the assessment areas combined, lending represented two percent and 0.9 percent of the number and dollar amount, respectively of combined assessment area loans originated or purchased. As a result, limited weight in the overall evaluation was assigned to performance in this assessment area.

The percentage distribution of lending in both assessment areas to low- and moderate-income borrowers and in low- and moderate-income geographies was strong, and helped to meet community credit needs.

Investments totaled \$17.5 million representing mortgage backed securities supported by 116 loans to low- and moderate-income borrowers in the assessment areas.

The offices and services are available to most members of the community, and business hours are tailored for the convenience of the community. HCSB did not provide community development services in this assessment area.

State Metropolitan Area & State Reviewed

(for metropolitan areas with some or all assessment areas reviewed using full-scope review)

Description of Institution's Operations in Burlington and Camden Counties, NJ Assessment Area

The bank maintained four branches in the Burlington County and Camden County assessment area including one in Cinnaminson, two in Cherry Hill, and one in Haddonfield. The Burlington County branch and one Camden County branch are located in upper-income geographies. The two other Camden County offices are located in middle-income geographies. Lending was limited during the review period, representing slightly more than 1.3 percent of the number of loans, and 0.7 percent of the dollar amount of combined assessment area loans. Limited weight in the overall evaluation was assigned to performance in this assessment area.

Description of Institution's Burlington and Camden Counties, NJ Assessment Area

One of HCSB's New Jersey assessment areas consists of portions of Burlington and Camden Counties. This assessment area, which is located in the Camden, NJ MD #15804, contains 45 geographies. Table 35 highlights the Metropolitan Division (MD) in the Burlington-Camden, NJ assessment area.

MD#	Metropolitan Division	County Name	Principal Cities
MD 15804	Camden, NJ	Burlington, Camden	Burlington, Camden

Table 36 illustrates demographic data on population, families, and housing units within the assessment area.

Demographic Data	2000 Census
Population	187,567
Total Families	51,438
1-4 Family Units	61,963
Multi-family Units	13,515
% Owner-Occupied Units	76%
% Rental-Occupied Units	20%
% Vacant Housing Units	4%
Weighted Average Median Housing	\$158,911

Table 37 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Table 37 - Distribution of Geographies, Families and Housing Units Burlington & Camden Counties Assessment Area						
Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	0	0.0%	0	0.0%	0	0.0%
Moderate	1	2.2%	1,672	3.3%	1,230	2.0%
Middle	19	42.2%	21,503	41.8%	26,927	43.5%
Upper	25	55.6%	28,263	54.9%	33,806	54.5%
Total	45	100.0%	51,438	100.0%	61,963	100.0%

Table 38(a) indicates the median family income ranges of each income category based on the 2007 HUD adjustment; table 38(b) reflects the updated HUD median family income for each year during the review period; and table 38(c) shows the distribution of families in each income range of the assessment area.

Table 38(a) - Median Family Income Ranges (*)		
Income Category (As % of MD Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$38,449
Moderate (50% - 79%)	\$38,450	\$61,519
Middle (80% - 119%)	\$61,520	\$92,279
Upper (>= 120%)	\$92,280	+

Table 38(b) - Annual HUD Median Family Income	
Year	Amount
2005	\$73,400
2006	\$77,300
2007	\$76,900

* Based on HUD 2007 Median Family Income of the MD

Table 38(c)- Distribution of Families Burlington & Camden Counties Assessment Area		
Family Income Category (As a % of MD Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	5,808	11.3%
Moderate (50% - 79%)	7,636	14.8%
Middle (80% - 119%)	11,293	22.0%
Upper (>= 120%)	26,701	51.9%
Total	51,438	100.0%

Low- and moderate-income families comprised 26.1 of the assessment area population based on 2000 census data. There were 2.4 percent of these families living below the poverty level.

Burlington County is a rural geographically large area with a high level of farming acreage. Camden County hosts the largest city in that county, Camden, which is directly across the Delaware River from Philadelphia, Pennsylvania. A community contact with a non-profit affordable housing

organization was reviewed during the evaluation. The contact indicated that there continues to be a need for affordable housing, especially with the high price of land, making it difficult for a low- and moderate-income family to purchase a home.

The FDIC Summary of Deposits Market Share Report for June 30, 2007 (the latest data available) indicates a market with a number of financial institutions competing for deposits and loans. For its market share of deposits, HCSB ranked 6th with 3.0 percent out of 33 financial institutions. Deposit share is dominated by one bank with 30 percent of all deposits.

For 2007, the unemployment rate for Burlington County was 3.8 percent, and for Camden County, 4.7 percent. For the State of New Jersey, the rate was 4.2 percent. Service industries provide the greatest employment in the assessment area followed by retail trade and construction.

Conclusions with Respect to Performance Tests in Burlington and Camden Counties, NJ Assessment Area

As part of the CRA review, an analysis of the institution's performance under the lending test, investment test and service test was conducted. In consideration of each test, various reviews were performed to assess the institution's level of performance.

Lending Test:

Under the lending test, the areas reviewed consisted of the institution's lending activity within its assessment area, the geographic distribution of loans, the borrower's profile and evidence that loans were made to all income groups. Additional areas reviewed included the institution's responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities and the use of innovative and flexible loan products to serve the assessment area credit needs.

Lending in the Burlington and Camden Counties, NJ Assessment Area

Table 39 provides a more detailed picture of the distribution of HMDA-reportable loans within the two assessment areas. HCSB granted 286 HMDA reportable loans totaling \$56.1 million in the Burlington and Camden assessment area. Lending increased from the prior performance evaluation by number and dollar amount of loans.

Table 39 - Distribution of HMDA-Reportable Loans By Burlington-Camden NJ Assessment Area (Dollars in thousands)					
Assessment Area By Number:	7/1/2005 - 12/31/2005	2006	2007	Review Period	% Of Comb AA
AA4 – Burlington-Camden NJ	73	115	98	286	1.3%
By Dollar Amount:					
AA4 – Burlington-Camden NJ	14,507	19,538	22,046	56,091	0.7%

Table 39 reveals that 1.3 percent and 0.7 percent of assessment area lending, by the number and dollar amount of loans, was conducted in the Burlington-Camden, New Jersey assessment area. As such, minimal weight will be given to this assessment area. Consistent with CRA regulatory requirements, a state evaluation will be conducted as Burlington-Camden counties are non-contiguous to the New York-Northern New Jersey assessment.

The bank faced substantial competition for loans in the Burlington-Camden, New Jersey assessment area. During 2006, 383 HMDA lenders originated or purchased 14 thousand loans for \$2.7 billion in this assessment area.

Based on 2006 HMDA aggregate market share data, the bank’s 115 assessment area loans totaling \$19.5 million in 2006 ranked 28th with 0.8 percent, and 34th with 0.7 percent market share by number and dollar amount, respectively. The top ten lenders garnered 40.9 and 55.5 percent market share by number and dollar amount, respectively, indicating strong competition. These lenders included the largest financial institutions and their affiliated mortgage companies, as well as national and local mortgage bankers.

Geographic Distribution of Loans

Part of the lending test includes an analysis of HCSB’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the Burlington and Camden Counties assessment area. Table 40 illustrates loan originations and purchases, categorized by geography income level, that were reported by HCSB during each year of the review period, and compares this activity to the 2005 and 2006 aggregate lenders. (There are no low-income geographies in this assessment area.)

**Table 40 - Distribution of HCSB's HMDA-Reportable Loans
 By Geography Income Level in Burlington & Camden Counties, NJ Assessment Area
 (Dollars in thousands)**

Geography Inc. Level	7/1/05 - 12/31/05		2006		2007		Review Period 7/1/05 - 12/31/07		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Moderate	2	2.7%	2	1.7%	4	4.1%	8	2.8%	1.0%	1.1%
Middle	19	26.0%	54	47.0%	24	24.5%	97	33.9%	47.9%	48.9%
Upper	52	71.3%	59	51.3%	70	71.4%	181	63.3%	51.1%	50.0%
Total	73	100.0%	115	100.0%	98	100.0%	286	100.0%	100.0%	100.0%
By \$ Amt:										
Moderate	\$118	0.8%	\$167	0.9%	\$451	2.0%	\$736	1.3%	0.5%	0.6%
Middle	1,966	13.6%	6,850	35.1%	3,882	17.6%	12,698	22.6%	39.2%	40.5%
Upper	12,423	85.6%	12,521	64.0%	17,713	80.4%	42,657	76.1%	60.3%	58.9%
Total	\$14,507	100.0%	\$19,538	100.0%	\$22,046	100.0%	\$56,091	100.0%	100.0%	100.0%

During the review period, the bank provided eight loans to moderate-income geographies for \$736 thousand. The percentage distribution of lending in moderate-income geographies by year and for the review period exceeded that of the 2005 and 2006 HMDA aggregate reporters.

As the number and dollar amount of loans originated or purchased in this assessment area is low, the analysis has less weight. On balance, the bank provided a satisfactory response to the credit needs in low- and moderate-income geographies during the review period.

Borrower Characteristics

Part of the lending test includes an analysis of HCSB's lending activity with respect to the distribution of loans among borrowers of different income levels within the assessment area. Table 41 illustrates loan originations and purchases, categorized by borrower income level, that were reported by HCSB during each year of the review period, and compares this activity to the 2005 and 2006 aggregate lenders.

**Table 41 - Distribution of HCSB's HMDA-Reportable Loans
 By Borrower Income Level in Burlington & Camden Counties, NJ Assessment Area
 (Dollars in thousands)**

Borrower Inc. Level	7/1/05 - 12/31/05		2006		2007		Review Period 7/1/05 - 12/31/07		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	4	5.5%	12	10.4%	7	7.1%	23	8.0%	3.8%	3.6%
Moderate	10	13.7%	30	26.1%	16	16.3%	56	19.6%	15.5%	15.4%
Middle	15	20.5%	15	13.0%	12	12.2%	42	14.7%	25.3%	25.2%
Upper	36	49.3%	46	40.1%	44	45.0%	126	44.1%	39.5%	40.2%
Income NA	8	11.0%	12	10.4%	19	19.4%	39	13.6%	15.9%	15.6%
Total	73	100.0%	115	100.0%	98	100.0%	286	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$181	1.2%	\$789	4.0%	\$160	0.7%	\$1,130	2.0%	1.9%	1.7%
Moderate	713	4.9%	3,247	16.6%	915	4.2%	4,875	8.7%	10.6%	10.7%
Middle	1,397	9.6%	925	4.7%	852	3.9%	3,174	5.7%	21.5%	21.2%
Upper	8,607	59.4%	9,995	51.2%	11,543	52.4%	30,145	53.7%	48.9%	48.2%
Income NA	3,609	24.9%	4,582	23.5%	8,576	38.8%	16,767	29.9%	17.1%	18.2%
Total	\$14,507	100.0%	\$19,538	100.0%	\$22,046	100.0%	\$56,091	100.0%	100.0%	100.0%

During the review period, the bank provided 79 loans to low- and moderate-income borrowers for \$6.0 million.

The bank's distribution of lending to low- and moderate-income borrowers by number of loans was strong and exceeded that of the 2005 and 2006 HMDA aggregate reporters. This distribution of lending by dollar amount for 2006 was strong and exceeded that of the 2006 HMDA aggregate reporters. For the full review period, this distribution of lending by dollar amount was comparable to the 2005 and 2006 HMDA aggregate reporters.

Based on 2006 HMDA aggregate market share data to low- and moderate-income borrowers, the bank's 42 assessment area loans totaling \$4.0 million in 2006 ranked 14th with 1.6 percent, and 18th with 1.2 percent market share by number and dollar amount, respectively. This ranking was greater by number and dollar amount to the bank's overall market share ranking of 28th with 0.8 percent, and 34th with 0.7 percent market share by number and dollar amount, respectively.

As the number and dollar amount of loans originated or purchased in this assessment area is low, the analysis has less weight. On balance, the bank provided a satisfactory response to the credit needs of low- and moderate-income borrowers during the review period.

Community Development Lending

The bank did not provide any community development loans in this assessment area during the review period.

Innovative and Flexible Lending Practices

During the review period, the bank offered a low interest rate home improvement program for low- and moderate-income borrowers. The loans were offered at a three percent rate for terms up to 20 years. Maximum loan amounts were \$20 thousand. Twenty-seven loans totaling \$483.9 thousand (2.5 percent) were originated in this assessment area.

Lending Test Conclusion:

Performance under the lending test is “High Satisfactory.” The volume of lending is low, but increased from the prior performance period. The penetration demonstrated by the bank to low- and moderate-income borrowers and in moderate-income geographies showed a strong response to community credit needs. Innovative and flexible lending products helped to serve community credit needs.

Investment Test:

Under the investment test, the areas reviewed consisted of the institution’s investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Since the last examination, HCSB has increased its role in providing community development funding within the Burlington and Camden counties, NJ assessment area through mortgage-backed security investments and grants to qualified organizations. Of the \$146.6 million in targeted mortgage-backed securities purchased by the bank, 9.9 percent (\$14.6 million) pertained to and are supported by 96 loans to low- and moderate-income borrowers in Burlington and Camden Counties.

Contributions to qualified organizations benefiting groups in the Burlington and Camden Counties, NJ assessment area totaled \$10 thousand, or 1.6 percent of total contributions made during the review period. The beneficiary of the contribution was the Neighborhood Housing Services of Camden which provides housing and credit counseling services and conducts financial seminars.

Investment Test Conclusion:

Performance under the investment test is “High Satisfactory.” Investments in targeted mortgage back securities showed a positive response to community credit needs.

Service Test:

Under the service test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

The bank has 4 of its 119 branch offices (3.4 percent) in the Burlington and Camden Counties, NJ assessment area. There were no branch additions since the last examination. Of the four branch offices, two are located in middle-income geographies, and the other two in upper-income geographies.

The bank's branch hours of operation are designed to serve the needs of its customers, and offer the same products and services and maintain extended hours. Refer to the Combined Assessment Area analysis for detail on these features.

Community Development Services

HCSB personnel did not participate in any community development service activities within the Burlington and Camden Counties, NJ assessment area.

Service Test Conclusion:

Performance under the service test is "Low Satisfactory." Retail services provided were broad and accessible to all customers. No community development services were performed.

State Metropolitan Area & State Reviewed

(for each metropolitan area where no assessment areas were reviewed using full-scope review)

Scope of Examination

The examination included a review of HMDA reportable residential mortgage loans for the 30-month review period of July 1, 2005 through December 31, 2007 for the Gloucester County assessment area. The HMDA reportable loans consisted of one-to-four family, refinance, and home improvement loans. Innovative and flexible loan products were also included.

Description of Institution's Operations in Gloucester County, NJ Assessment Area

The bank maintained one branch in a middle-income geography in Woodbury Heights in this assessment area. Lending was very limited during the review period, representing 0.7 percent of the number of loans, and 0.2 percent of the dollar volume of combined assessment area loans. Limited weight in the overall evaluation was assigned to performance in this assessment area.

Description of Gloucester County, NJ Assessment Area

HCSB's other NJ assessment area consists of a portion of Gloucester County. While this assessment area is also in the Camden, NJ MD, it is not contiguous to the Burlington-Camden, NJ assessment area. The Gloucester County assessment area contains 18 geographies. Table 42 highlights the Metropolitan Division (MD) in the Burlington-Camden, NJ assessment area.

Table 42 - Burlington-Camden, NJ MD Assessment Area			
MD#	Metropolitan Division	County Name	Principal Cities
MD 15804	Camden, NJ	Gloucester	Williamstown

Table 43 illustrates demographic data on population, families, and housing units within the Gloucester County assessment area.

Table 43 - Demographic Data (Based on 2000 U.S. Census Data)	
Demographic Data	2000 Census
Population	64,948
Total Families	17,179
1-4 Family Units	21,290
Multi-family Units	4,400
% Owner-Occupied Units	70%
% Rental-Occupied Units	25%
% Vacant Housing Units	5%
Weighted Average Median Housing	\$115,207

Table 44 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Table 44 - Distribution of Geographies, Families and Housing Units Gloucester County, NJ Assessment Area						
Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	0	0.0%	0	0.0%	0	0.0%
Moderate	2	11.1%	2,020	11.8%	2,708	12.7%
Middle	15	83.3%	14,516	84.5%	17,733	83.3%
Upper	1	5.6%	643	3.7%	849	4.0%
Total	18	100.0%	17,179	100.0%	21,290	100.0%

Table 45(a) indicates the median family income ranges of each income category based on the 2007 HUD adjustment; table 45(b) reflects the updated HUD median family income for each year during the review period; and table 45(c) shows the distribution of families in each income range of the assessment area.

Table 45(a) - Median Family Income Ranges (*)		
Income Category (As % of MD Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$38,449
Moderate (50% - 79%)	\$38,450	\$61,519
Middle (80% - 119%)	\$61,520	\$92,279
Upper (>= 120%)	\$92,280	+

Table 45(b) - Annual HUD Median Family Income	
Year	Amount
2005	\$73,400
2006	\$77,300
2007	\$76,900

* Based on HUD 2007 Median Family Income of the MD

Table 45(c)- Distribution of Families Gloucester County, NJ Assessment Area		
Family Income Category (As a % of MD Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	3,322	19.3%
Moderate (50% - 79%)	3,454	20.1%
Middle (80% - 119%)	4,709	27.4%
Upper (>= 120%)	5,694	33.2%
Total	17,179	100.0%

Low- and moderate-income families comprised 39.4 of the assessment area population based on 2000 census data. There were 4.9 percent of these families living below the poverty level. Gloucester County is a growing residential community due to its proximity to Philadelphia, Pennsylvania. A community contact with a non-profit affordable social services group stated the need for services to empower the disabled, care for older adults, provide transitional housing and basic services to people in need.

The FDIC Summary of Deposits Market Share Report for June 30, 2007 (the latest data available) indicates a market with a number of financial institutions competing for deposits and loans. For its market share of deposits, HCSB ranked 11th with 2.1 percent out of 23 financial institutions. Deposit share is dominated by one bank with 30 percent of all deposits.

For 2007, the unemployment rate for Gloucester County was 4.3 percent, and for the State of New Jersey, 4.5 percent. Service industries provide the greatest employment in the assessment area followed by retail trade and construction.

Conclusions with Respect to Performance Tests in Gloucester County, NJ Assessment Area

As part of the CRA review, an analysis of the institution’s performance under the lending test, investment test and service test was conducted. In consideration of each test, various reviews were performed to assess the institution’s level of performance.

Lending Test:

Under the lending test, the areas reviewed consisted of the institution’s lending activity within its assessment area, the geographic distribution of loans, the borrower’s profile and evidence that loans were made to all income groups. Additional areas reviewed included the institution’s responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community

development lending activities and the use of innovative and flexible loan products to serve the assessment area credit needs.

Table 46 provides a more detailed picture of the distribution of HMDA-reportable loans within the assessment area. HCSB granted 152 HMDA reportable loans totaling \$17.6 million in the Gloucester County assessment area.

Table 46 - Distribution of HMDA-Reportable Loans By Gloucester County Assessment Area (Dollars in thousands)					
Assessment Area By Number:	7/1/2005 - 12/31/2005	2006	2007	Review Period	% Of Comb AA
AA5 – Gloucester County, NJ	25	90	37	152	0.6%
By Dollar Amount:					
AA5 – Gloucester County, NJ	1,976	10,189	5,462	17,627	0.2%

Table 46 reveals that 0.6 percent and 0.2 percent of assessment area lending, by the number and dollar amount of loans, was conducted in the Gloucester County, New Jersey assessment area. As such, minimal weight will be given to this assessment area. Consistent with CRA regulatory requirements, as Gloucester County is non-contiguous, a separate evaluation was conducted.

The bank faced competition for loans in the Gloucester County assessment area. During 2006, 277 HMDA lenders originated or purchased 6.9 thousand loans for \$927.2 million in this assessment area.

Based on 2006 HMDA aggregate market share data, the bank’s 90 assessment area loans totaling \$10.2 million in 2006 ranked 18th with 1.4 percent, and 26th with 1.1 percent market share by number and dollar amount, respectively. The top ten lenders garnered 40.9 and 41.8 percent market share by number and dollar amount, respectively, indicating strong competition. These lenders included the largest financial institutions and their affiliated mortgage companies, as well as national and local mortgage bankers.

Geographic Distribution of Loans

Part of the lending test includes an analysis of HCSB’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the Gloucester County assessment area. Table 47 illustrates loan originations and purchases, categorized by geography income level, that were reported by HCSB during each year of the review period, and compares this activity to the 2005 and 2006 aggregate lenders. (There are no low-income geographies in this assessment area.) Volume increased from the prior performance period.

Table 47 - Distribution of HCSB's HMDA-Reportable Loans By Geography Income Level in Gloucester, NJ Assessment Area (Dollars in thousands)										
Geography Inc. Level	7/1/05 - 12/31/05		2006		2007		Review Period 7/1/05 - 12/31/07		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Moderate	3	12.0%	15	16.7%	10	27.0%	28	18.4%	10.8%	10.8%
Middle	22	88.0%	73	81.1%	26	70.3%	121	79.6%	86.8%	86.4%
Upper	0	0.0%	2	2.2%	1	2.7%	3	2.0%	2.5%	2.8%
Total	25	100.0%	90	100.0%	37	100.0%	152	100.0%	100.0%	100.0%
By \$ Amt:										
Moderate	\$289	14.6%	\$1,607	15.8%	\$1,429	26.2%	\$3,325	18.9%	9.1%	10.2%
Middle	1,687	85.4%	8,298	81.4%	3,983	72.9%	13,968	79.2%	87.8%	86.3%
Upper	0	0.0%	284	2.8%	50	0.9%	334	1.9%	3.1%	3.5%
Total	\$1,976	100.0%	\$10,189	100.0%	\$5,462	100.0%	\$17,627	100.0%	100.0%	100.0%

During the review period, the bank provided 28 loans in moderate-income geographies for \$3.3 million.

The percentage distribution of lending in moderate- income geographies, by year and for the review period, exceeded that of the 2005 and 2006 HMDA aggregate reporters and was very strong. In addition, the bank's actual volume of lending by number and dollar amount increased for 2007 and illustrates a positive trend in addressing the credit needs of the community.

Based on 2006 HMDA aggregate market share data in low- and moderate-income geographies, the bank's 15 assessment area loans totaling \$1.6 million in 2006 ranked 12th with 2.1 percent, and 16th with 1.7 percent market share by number and dollar amount, respectively. This ranking was greater than the bank's overall market share ranking of 18th with a 1.4 percent, and 26th with 1.1 percent market share by number and dollar amount, respectively.

As the number and dollar amount of loans originated or purchased in this assessment area is low, the analysis has less weight. However, the bank provided a strong response to the credit needs in moderate-income geographies during the review period.

Borrower Characteristics

Part of the lending test includes an analysis of HCSB's lending activity with respect to the distribution of loans among borrowers of different income levels within the assessment area. Table 48 illustrates loan originations and purchases, categorized by borrower income level, that were reported by HCSB during each year of the review period, and compares this activity to the 2005 and 2006 aggregate lenders.

**Table 48 - Distribution of HCSB's HMDA-Reportable Loans
By Borrower Income Level in the Gloucester County, NJ Assessment Area
(Dollars in thousands)**

Borrower Inc. Level	7/1/05 - 12/31/05		2006		2007		Review Period 7/1/05 - 12/31/07		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	3	12.0%	15	16.7%	0	0.0%	18	11.8%	7.3%	6.7%
Moderate	7	28.0%	53	58.9%	10	27.0%	70	46.1%	23.4%	25.2%
Middle	9	36.0%	17	18.9%	14	37.8%	40	26.3%	29.0%	29.1%
Upper	3	12.0%	4	4.4%	9	24.3%	16	10.5%	24.2%	24.0%
Income NA	3	12.0%	1	1.1%	4	10.9%	8	5.3%	16.1%	15.0%
Total	25	100.0%	90	100.0%	37	100.0%	152	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$176	8.9%	\$1,488	14.6%	\$0	0.0%	\$1,664	9.4%	4.4%	4.4%
Moderate	306	15.5%	6,673	65.5%	1,343	24.6%	8,322	47.2%	18.7%	22.6%
Middle	829	42.0%	1,231	12.1%	1,903	34.8%	3,963	22.5%	27.3%	28.9%
Upper	376	19.0%	716	7.0%	1,490	27.3%	2,582	14.6%	27.1%	28.3%
Income NA	289	14.6%	81	0.8%	726	13.3%	1,096	6.3%	22.5%	15.8%
Total	\$1,976	100.0%	\$10,189	100.0%	\$5,462	100.0%	\$17,627	100.0%	100.0%	100.0%

During the review period, the bank provided 88 loans to low- and moderate-income borrowers for \$10 million.

The percentage distribution of lending to low- and moderate- income borrowers, by year and for the review period, exceeded that of the 2005 and 2006 HMDA aggregate reporters and was very strong.

Based on 2006 HMDA aggregate market share data to low- and moderate-income borrowers, the bank's 68 assessment area loans totaling \$8.2 million in 2006 ranked 5th with 3.2 percent, and 5th with 3.3 percent market share by number and dollar amount, respectively. This ranking was greater by number and dollar amount to the bank's overall market share ranking of 18th with 1.4 percent, and 26th with 1.1 percent market share by number and dollar amount, respectively.

As the number and dollar amount of loans originated or purchased in this assessment area is low, the analysis has less weight. However, the bank provided a strong response to the credit needs of low- and moderate-income borrowers during the review period.

Community Development Lending

The bank did not provide any community development loans in this assessment area during the review period.

Innovative and Flexible Lending Practices

During the review period, the bank offered a low interest rate home improvement program for low- and moderate-income borrowers. The loans were offered at a three percent rate for terms up to 20 years. Maximum loan amounts were \$20 thousand. Five loans totaling \$96.8 thousand (0.5 percent) were originated in this assessment area.

Lending Test Conclusion:

Performance under the lending test is “High Satisfactory.” The volume of lending is low but increased from the prior performance period. The penetration demonstrated by the bank in low- and moderate-income geographies and to moderate-income borrowers showed a strong response to community credit needs. Innovative and flexible lending products helped to serve community credit needs.

Investment Test:

Under the investment test, the areas reviewed consisted of the institution’s investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Since the last examination, HCSB has increased its role in providing community development funding within the Gloucester County, NJ assessment area through mortgage-backed security investments. Of the \$146.6 million in targeted mortgage-backed securities purchased by the bank, 2 percent (\$3 million) pertained to and are supported by 20 loans to low- and moderate-income borrowers in Gloucester County.

Investment Test Conclusion:

Performance under the investment test is “High Satisfactory.” Investments in targeted mortgage back securities showed a positive response to community credit needs.

Service Test:

Under the service test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

The bank has 1 of its 119 branch offices (0.8 percent) in the Gloucester County, NJ assessment area. This was not a branch addition from the last examination. The Woodbury Heights branch is located in a middle-income geography.

The bank's branch hours of operation are designed to serve the needs of its customers, and offer the same products and services and maintain extended hours. Refer to the Combined Assessment Area analysis for detail on these features.

Community Development Services

HCSB personnel did not participate in any community development service activities within the Gloucester County, NJ assessment area.

Service Test Conclusion:

Performance under the service test is "Low Satisfactory." Retail services provided were broad and accessible to all customers. No community development services were performed.

Appendix A

Scope of Examination

SCOPE OF EXAMINATION		
Full Scope Examination		
TIME PERIOD REVIEWED	July 1, 2005 through December 31, 2007	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED
Hudson City Savings Bank		Residential Mortgage Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
NA		

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED ⁱ	OTHER INFORMATION
New York-Northern NJ-LI, NY-NJ-PA MSA#35620 and portions of Mercer County, Warren County, and Atlantic County	Full Scope	NA	
Bridgeport-Stamford-Norwalk, CT MSA#14860(Fairfield County)	Full Scope	NA	
Suffolk County-Nassau County, NY MD #44844 (Suffolk County)	Full Scope	NA	
Camden, NJ MD #15804 (portions of Burlington and Camden Counties)	Full Scope	NA	
Camden, NJ MD #15804 (portion of Gloucester County)	Full Scope	NA	

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

Appendix B

Summary of State and Multistate Metropolitan Area Ratings

State or Multistate Metropolitan Area Name	Lending Test Rating	Investment Test Rating	Service Test Rating	Overall State Rating
New York-Northern New Jersey- Long Island, NY-NJ-PA MSA#35602	High Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory
State of Connecticut	Low Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory
State of New York	High Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory
State of New Jersey	High Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory

CRA Rating Definitions

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

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

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