PUBLIC DISCLOSURE

March 14, 2011

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

July 1, 2011

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

Member of the Board:

Enclosed is your institution's written Community Reinvestment Act (CRA) Performance Evaluation. The Office of Thrift Supervision (OTS) prepared the evaluation as of March 14, 2011.

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,

Patricia A. Cecconi
Assistant Director - Compliance

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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 March 14, 2011. 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: Satisfactory

Lending Test

Hudson City Savings Bank's ("HCSB" or "the bank") overall performance under the lending test is marginally satisfactory. While a simple majority of reportable Home Mortgage Disclosure Act (HMDA) mortgage loans originated and purchased over the review period were in the combined assessment areas (AA), and the bank is among the market leaders in overall HMDA mortgage lending volume for 2008 and 2009 with similar volume in 2010, the bank's market share falls significantly in terms of lending to low- and moderate-income (LMI) borrowers. The percentage of loans extended to LMI borrowers is significantly below the performance of aggregate lenders. Bank lending in LMI geographies is consistent with aggregate lenders when originations and purchases are combined however, lending in LMI geographies is primarily purchase driven whereas lending in middle- and upper-income geographies is driven by originations. While the bank provided nearly $6 million in community development loans during the review period, there was very little direct lending to local community development organizations. This dollar amount was substantially below expectations, based on the resources available to the bank. The bank provided an adequate response to community credit needs under its two innovative and flexible loan products.

Investment Test

Performance under the Investment Test remained consistent since the prior CRA evaluation; however, a sharp decrease in direct investments was noted. The vast majority of HCSB's investments took the form of purchased mortgage backed securities (MBS), which increased since the last evaluation. The bank substantially reduced its direct participation in other types of more innovative and highly beneficial investments made previously from nearly $8 million during the prior period to $100 thousand during the current period. Qualified community development contributions, centered almost entirely in the New York Combined Statistical Area (CSA) AA, were adequate based on the resources available to the bank.

Service Test

Performance under the Service Test is less than satisfactory due to very limited bank officer involvement in community development activities and a weak record of providing service to LMI communities through the branch distribution structure. The bank provides a wide range of traditional thrift deposit and loan products through a substantial branch network however; branch distribution is

Institution (continued)

dramatically distorted towards middle- and upper-income geographies. The percentage of branches in LMI geographies is substantially below the percentage of geographies and families residing in LMI geographies. All 16 branch openings since the prior CRA evaluation were in middle- and upper-income geographies. Approximately 90 percent of branches offer Saturday hours and this is consistent for moderate-income branches. However, three of four low-income branches do not offer Saturday hours. Management identified only two officers' involvement in community development service activities with three community organizations. The bank reports over 1,500 employees and this level of involvement is very low in comparison to available resources.

Institution

Lending, Investment, Service Test Table

The following table indicates the performance level of HCSB with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	Hudson City Savings Bank 3/14/2011		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Low Satisfactory	X		
Needs to Improve			X
Substantial Noncompliance			

* Notes: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

HCSB is a $61.2 billion (as of December 31, 2010) federal stock savings bank wholly-owned by HCSB Bancorp, Inc. HCSB is headquartered in Paramus, New Jersey and has served its customer base since 1868 primarily through the origination and more recently the purchase of mortgage loans secured by 1-4 family properties. The bank's wholesale loan purchase program has been a component of its overall residential mortgage loan growth during both the prior and current review periods. The bank maintains a larger geographic footprint for its wholesale purchase operation. HCSB ranks in the top twenty-five U.S. financial institutions by asset size and is the largest thrift institution headquartered in New Jersey. As of the current CRA evaluation date, the bank has 135 offices (including its main office) with nine in Connecticut, 97 in New Jersey, and 29 in New York.

As of December 31, 2010, the total loan portfolio equaled $31 billion. Table 1 indicates the dollar amount, percentage to total loans, percentage to total assets, and growth or decline of each major loan category during the review period.

Institution (continued)

Table 1 - Investment in Loans Comparison
During Review Period
(Dollars in thousands)

Loan Category	12/31/2010			12/31/2007			Growth (Decline) During Review Period	
	Amount	% to Total Loans	% to Totl Assets	Amount	% to Tot Loans	% to Ttl Assets	By $ Amt	% in Ctg.
Residential Mortgage	$30,795,835	99.3%	50.8%	$24,057,785	99.3%	54.6%	$6,738,050	28.0%
Nonresidential. Mtg	48,562	0.2%	0.1%	55,163	0.2%	0.1%	-6,601	-12.0%
Commercial Non-mtg	13,126	0.0%	0.0%	14,057	0.1%	0.0%	-931	-6.6%
Consumer	149,250	0.5%	0.2%	106,262	0.4%	0.2%	42,988	40.5%
Total	$31,006,773	100.0%	51.1%	$24,233,267	100.0%	54.9%	$6,773,506	28.0%

Table 1 shows a substantial increase in overall loan portfolio balances since the prior evaluation with the overwhelming majority of loans remaining in the residential mortgage category.

HCSB earned an overall rating of Satisfactory on its previous CRA evaluation conducted as of April 2, 2008. There does not appear to be any financial or legal impediments that would preclude the bank from meeting its CRA obligations.

HCSB operates in an extremely competitive mortgage lending market. Considering 2009 aggregate HMDA data, approximately 300 thousand HMDA reportable mortgage loans were originated for $91.7 billion in HCSB's combined assessment area.

Scope of Examination

HCSB's CRA evaluation utilized Large Savings Association examination procedures applied to banks with total assets of at least $1.122 billion at calendar year end 2009 and 2010. HMDA reportable mortgage loans originated and purchased during the 36-month period between January 1, 2008 and December 31, 2010 comprise the data utilized for most Lending Test factors. Community Development loans originated between the prior evaluation date (April 2, 2008) and the current evaluation date (March 14, 2011) were considered. Innovative and flexible loan products originated during the review period were also included.

We also reviewed the bank's response to community credit needs through qualified investments and community development services. The bank requested consideration of affiliated foundation community development contributions.

Institution (continued)

Description of Combined Assessment Area

Based on the location of its branches and the Bank's overall designated AAs, we considered five separate AAs in conducting this CRA evaluation. These areas include: a large portion of the New York-Newark-Bridgeport, NY-NJ-CT CSA; Suffolk County, NY; and, several towns in Atlantic, Warren, Burlington, Camden and Gloucester Counties, NJ. Activities in Atlantic and Warren Counties are included in the CSA AA due to their proximity to the CSA. Suffolk County however, was included in the State of New York AA as it is not contiguous to any other AA. Activities in Burlington, Camden, and Gloucester Counties represent three other AA as each reflects a non-contiguous area that is not part of the NY CSA. Specific details on each AA are provided in the multi-state CSA (NY CSA AA), State of New Jersey (NJ AA), and State of New York (NY AA) sections of this document.

Collectively, the five AAs ("Combined AA") contain 2,422 geographies. HCSB opened 16 new branches during the review period resulting in expanded markets in these new towns. The more significant additions were in New Jersey and included adding Hunterdon County and expanding to include all of Mercer County. Table 2 illustrates demographic data on population, families, and housing units within the Combined AA.

Table 2 **- Demographic Data**
(Based on 2000 U.S. Census Data)

Demographic Data	2000 Census
Population	10,743,466
Total Families	2,762,508
1-4 Family Units	3,274,156
Multi-family Units	788,747
% Owner-Occupied Units	62%
% Rental-Occupied Units	32%
% Vacant Housing Units	6%
Weighted Average Median Housing	$214,747

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.

Institution (continued)

Table 3 - Distribution of Geographies, Families and Housing Units Combined Assessment Area						
Geog Inc Level	**Geographies**		**Total Area Families**		**1-4 Family Dwellings**	
2000 Census:	**#**	**%**	**#**	**%**	**#**	**%**
Low	160	6.6%	116,841	4.2%	117,590	3.6%
Moderate	434	17.9%	442,828	16.0%	518,619	15.8%
Middle	891	36.8%	1,020,441	36.9%	1,246,689	38.1%
Upper	915	37.8%	1,182,398	42.9%	1,391,209	42.5%
Income NA	22	0.9%	0	0.0%	49	0.0%
Total	2,422	100.0%	2,762,508	100.0%	3,274,156	100.0%

According to 2000 census data, 34.4 percent of the families in the Combined AA are low- to moderate-income, with 5.9 percent of the families reporting income below the poverty level. Table 4 shows the distribution of families in each income range of the Combined AA.

Table 4- Distribution of Families Combined Assessment Area		
Family Income Category (As a % of MSA Median)	**2000 Census Data**	
	Number	**Percent**
Low (< 50%)	505,991	18.3%
Moderate (50% - 79%)	443,723	16.1%
Middle (80% - 119%)	554,585	20.1%
Upper (>= 120%)	1,258,209	45.5%
Total	2,762,508	100.0%

The economy in the bank's combined AA's appears to be improving as most economic indicators are trending positively. Unemployment rates are well higher than they were as of the prior CRA evaluation but have fallen in all major sub-areas (MSA/MD/County) within the overall AA over the past year. Housing Price Indices (HPI), published by the Federal Housing Finance Agency (FHFA), show dramatic declines in single family house prices since the time of the prior evaluation. Home prices show additional declines over the past year but the pace of decline is slowing. Please refer to the individual multi-state, state, and county sections for further details on the economy in those AA.

A community contact was conducted and several past contacts reviewed to obtain additional perspectives on the economy and assess CRA-related opportunities in the markets. The results of these efforts are included in the more detailed CSA and state rating sections of this report.

Conclusions With Respect To Performance Tests

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

Institution (continued)

Lending Test:

Under the lending test, the five factors reviewed include the institution's lending activity within its AA, the distribution of loans by both geography and borrower income level, community development lending activities, and the use of innovative and flexible loan products to serve the AA credit needs. The institution's responsiveness to the credit needs of highly economically disadvantaged geographies and individuals is also considered within the Lending Test.

Lending in the Combined Assessment Area

The bank granted a reasonable percentage of its loans within the combined AA.

Table 5 illustrates the total number and dollar amount of HMDA-reportable loans (home purchase, refinance and home improvement loans) originated and purchased in and outside the combined AA during the 36-month review period ending December 31, 2010.

***Table 5*- Concentration of HMDA-reportable Loans ***
1/1/2008 – 12/31/2010
(Dollars in thousands)

Period By Year	In Combined Assessment Area		Outside Combined Assessment Area		Total HMDA Loans
By Number:	**#**	**%**	**#**	**%**	**#**
2008	10,190	66.8%	5,060	33.2%	15,250
2009	11,795	66.5%	5,947	33.5%	17,742
2010	8,832	72.1%	3,422	27.9%	12,254
Total	30,817	68.1%	14,429	31.9%	45,246
By $ Amount:	**$ Amt**	**%**	**$ Amt**	**%**	**$ Amt**
2008	$5,305,101	65.8%	$2,762,362	34.2%	$8,067,463
2009	5,923,772	64.8%	3,213,983	35.2%	9,137,755
2010	4,730,461	72.8%	1,771,702	27.2%	6,502,163
Total	$15,959,334	67.3%	$7,748,047	32.7%	$23,707,381

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

Table 5 includes mortgage loan originations generated as a result of, among other things, branch locations, existing customer relationships, and marketing campaigns, as well as wholesale mortgage purchases drawn from a much broader geographic area, as far west as the Mississippi River and south to the Carolinas. Of the 45.2 thousand total mortgage loans (both originations and purchases) reported by HCSB during the review period, 31 thousand (68.6 percent) were loan originations with the remaining 31.4 percent representing purchased loans. A solid 82.6 percent of mortgage originations were in HCSB's combined AA, while 63.5 percent of purchased loans were outside of the bank's combined AA.

Institution (continued)

HCSB is an active mortgage loan originator in its combined AA, based on HMDA aggregate market share data for 2008 and 2009. In 2008, over 221 thousand mortgage loans were originated for $68 billion in the combined AA. HCSB was the 5th leading mortgage originator in 2008 with 8.4 thousand originations. In 2009, over 299 thousand mortgage loans for $91 billion were originated. HCSB was the 4th leading mortgage originator in 2009 with 9.5 thousand originations.

Table 6 provides a more detailed picture of the distribution of HMDA-reportable loans within the five AAs. The production numbers in Table 6 include both originations and purchases.

***Table 6* - Distribution of HMDA-Reportable Loans**
By Individual Assessment Area
(Dollars in thousands)

Assessment Area *By Number:*	2008	2009	2010	Review Period	% Of Comb AA
New York CSA	9,351	10,776	7,877	28,004	90.9%
Burlington County, NJ	40	47	59	146	0.5%
Camden County, NJ	32	33	41	106	0.3%
Gloucester County, NJ	11	8	8	27	0.1%
Suffolk County, NY	756	931	847	2,534	8.2%
Total	10,190	11,795	8,832	30,817	100.0%
By Dollar Amount:					
New York CSA	$4,749,466	$5,320,254	$4,182,754	$14,252,474	89.3%
Burlington County, NJ	17,000	16,200	29,019	62,219	0.4%
Camden County, NJ	7,318	10,569	12,770	30,657	0.2%
Gloucester County, NJ	1,018	1,847	392	3,257	0.0%
Suffolk County, NY	530,299	574,902	505,526	1,610,727	10.1%
Total	$5,305,101	$5,923,772	$4,730,461	$15,959,334	100.0%

A significant majority of loans were granted in the New York CSA, which received the greatest weight in determining the overall performance rating for the bank.

Borrower Characteristics

Although HCSB generated a reasonable number of loans to LMI borrowers, the bank's performance in lending to LMI borrowers is substantially below that of aggregate lenders' on a percentage basis for each respective year. As such, the bank is considered less than responsive to the needs of LMI borrowers.

Part of the lending test includes an analysis of HCSB's distribution of loans among borrowers of different income levels within the Combined AA. Table 7 illustrates loan originations, categorized by borrower income level, reported by HCSB during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Institution (continued)

Table 7* - Distribution of Hudson City Savings Bank's HMDA-Reportable Loans By Borrower Income Level in Combined Assessment Area *(Dollars in thousands)

Borrower Inc. Level	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate 2008	Aggregate 2009
By Number:	#	%	#	%	#	%	#	%	% by #	% by #
Low	160	1.6%	486	4.1%	131	1.5%	777	2.5%	4.0%	3.9%
Moderate	500	4.9%	807	6.8%	455	5.2%	1,762	5.7%	12.6%	12.6%
Middle	747	7.3%	1,186	10.1%	774	8.8%	2,707	8.8%	20.4%	21.3%
Upper	6,465	63.5%	7,120	60.4%	5,986	67.8%	19,571	63.5%	48.3%	52.3%
Income NA	2,318	22.7%	2,196	18.6%	1,486	16.7%	6,000	19.5%	14.7%	9.9%
Total	10,190	100.0%	11,795	100.0%	8,832	100.0%	30,817	100.0%	100.0%	100.0%
By $ Amt:	$	%	$	%	$	%	$	%	% by $	% by $
Low	$8,598	0.2%	$73,545	1.2%	$7,884	0.2%	$90,027	0.6%	1.6%	1.8%
Moderate	57,715	1.1%	127,864	2.2%	62,183	1.3%	247,762	1.6%	7.4%	7.8%
Middle	171,997	3.2%	282,413	4.8%	189,797	4.0%	644,207	4.0%	15.1%	16.5%
Upper	3,815,000	71.9%	4,324,729	73.0%	3,961,864	83.8%	12,101,593	75.8%	58.2%	64.2%
Income NA	1,251,791	23.6%	1,115,221	18.8%	508,733	10.7%	2,875,745	18.0%	17.7%	9.7%
Total	$5,305,101	100.0%	$5,923,772	100.0%	$4,730,461	100.0%	$15,959,334	100.0%	100.0%	100.0%

Table 7 shows HCSB originated or purchased significantly fewer loans, on a percentage basis, to LMI borrowers when compared to aggregate data in both 2008 and 2009. For 2008, 6.5 percent of its reported mortgage loans were to LMI borrowers versus 16.6 percent for aggregate lenders. For 2009, 10.9 percent of reported mortgage loans were to LMI borrowers versus 16.5 percent for aggregate lenders. For 2010, 8.2 percent of reported mortgages were to LMI borrowers, which indicates a declining trend compared to 2009.

The inclusion of purchased loans in the analysis, where the reporting of borrower income is optional, results in a significantly higher incidence of "Income NA" loans for the bank versus aggregate data in Table 7. As such, we also analyzed originations only to determine if there were significant statistical differences. HCSB extended 6.7 percent of all 2008 originations to LMI borrowers versus 18.3 percent for aggregate lenders, and 8.6 percent of all 2009 originations to LMI borrowers versus 18.4 percent for aggregate. For 2010, HCSB extended 7.6 percent of originations to LMI borrowers. Analyzing originations only yields a larger disparity between bank lending to LMI borrowers versus aggregate lenders' data.

The bank's market share of LMI borrower mortgages is significantly lower than its overall market share of loans in the combined AA. HCSB was the 5th leading overall mortgage originator in 2008 and 4th in 2009. In terms of LMI originations only, HCSB was the 15th leading lender in 2008 and 13th in 2009 for mortgage originations to LMI borrowers.

Institution (continued)

Geographic Distribution of Loans

The bank demonstrated a reasonable percentage of loans in LMI geographies during the reviewed period.

Part of the lending test includes an analysis of HCSB's distribution of loans among geographic areas of different income levels within the Combined AA. Table 8 illustrates loan originations, categorized by geography income level, reported by HCSB during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

***Table 8* - Distribution of Hudson City Savings Bank's HMDA-Reportable Loans**
By Geography Income Level in Combined Assessment Area
(Dollars in thousands)

Geography Inc. Level	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate 2008	Aggregate 2009
By Number:	#	%	#	%	#	%	#	%	% by #	% by #
Low	93	0.9%	231	2.0%	95	1.1%	419	1.4%	1.8%	0.9%
Moderate	892	8.8%	1,447	12.3%	792	9.0%	3,131	10.2%	12.3%	8.1%
Middle	2,538	24.9%	2,782	23.6%	2,271	25.7%	7,591	24.6%	37.7%	34.8%
Upper	6,639	65.2%	7,319	62.0%	5,651	64.0%	19,609	63.6%	48.1%	56.1%
Income NA	28	0.2%	16	0.1%	23	0.2%	67	0.2%	0.1%	0.1%
Total	10,190	100.0%	11,795	100.0%	8,832	100.0%	30,817	100.0%	100.0%	100.0%
By $ Amt:	$	%	$	%	$	%	$	%	% by $	% by $
Low	$20,492	0.4%	$54,132	0.9%	$18,536	0.4%	$93,160	0.6%	1.2%	0.5%
Moderate	314,912	5.9%	430,417	7.3%	232,777	4.9%	978,106	6.1%	9.3%	5.9%
Middle	1,088,473	20.5%	1,110,354	18.7%	900,918	19.0%	3,099,745	19.4%	31.7%	28.5%
Upper	3,864,292	72.9%	4,318,628	72.9%	3,561,960	75.4%	11,744,880	73.6%	57.6%	65.0%
Income NA	16,932	0.3%	10,241	0.2%	16,270	0.3%	43,443	0.3%	0.2%	0.1%
Total	$5,305,101	100.0%	$5,923,772	100.0%	$4,730,461	100.0%	$15,959,334	100.0%	100.0%	100.0%

Table 8 shows reasonable overall performance in penetrating LMI geographies when compared to aggregate data in the bank's overall AA. HCSB reported 9.7 percent of 2008 mortgage originations and purchases in LMI geographies versus 14.1 percent for aggregate. Bank performance improved to 14.3 percent in 2009 while aggregate data reflected an overall decline in LMI geography lending at 9.0 percent. Bank performance declined to 10.1 percent in LMI geographies in 2010.

The bank's performance in lending in LMI geographies is primarily driven by purchases whereas performance in middle- and upper-income geographies is primarily driven by originations. More low-income tracts were reached by purchases (57.5 percent) than originations (33.1 percent). Similarly, more moderate-income tracts were reached by purchases (83.9 percent) than originations (63.1 percent). The opposite is true in middle- and upper-income geographies.

Institution (continued)

Community Development (CD) Lending

HCSB's CD lending efforts resulted in the provision of approximately $5.9 million in qualified loans during the review period, representing an inadequate response to combined AA credit needs based on bank resources and available opportunities. Community development loans addressing specific AA needs are discussed in the individual AA section s below.

HCSB provided funds for community development lending serving a broader statewide or regional area, including the combined AA during the review period through two organizations as follows.

Thrift Institutions Community Investment Corporation (TICIC):

TICIC was formed by a consortia of New Jersey based thrift institutions to assist in developing CD eligible projects. During the review period, HCSB participated in loans for two new projects and purchased another lender's share for one of those projects resulting in total funding of $683 thousand. HCSB also committed $250 thousand for construction of another project through the TICIC and has funded $32 thousand of that amount as of the evaluation date.

Housing Development Fund (HDF):

HCSB continued its participation in two affordable housing loan pools maintained by the HDF of Stamford, CT. The "SmartMove Homeownership Fund" provides low interest rate affordable purchase money mortgage loans to income eligible residents that include amortizing second mortgages up to 20 percent of the purchase price to serve as down payment assistance. In 2010, HCSB increased its commitment to this loan fund from $2 million to $5 million with $1 million of that amount targeted for expansion into Westchester County, NY. HCSB funded over 30 individual loans totaling $1.5 million during the review period. The bank's participation balance as of year-end 2010 was $2.3 million.

The HDF "Multi-Family Lending Program" offers financing to developers, including non-profit organizations, for-profit companies, and private individuals. The program requires property deed restrictions to ensure continued affordability of the underlying housing units. Since HDF's inception, the program has financed 43 multi-family developments providing over 900 units. HCSB extended $433.4 thousand as a participating lender in five affordable housing projects during the review period.

Institution (continued)

Innovative and Flexible Lending Practices

The bank had an adequate response to community credit needs through provision of innovative and flexible lending programs, for which the data is included as HMDA-reportable loans in the charts above.

The LMI home improvement (HI) loan program features a low fixed rate of interest for income eligible borrowers. Loans up to $20 thousand are available with a twenty year repayment term. HCSB originated 685 HI loans under this program providing over $12 million in funding. The bank entered into a collaborative arrangement with the City of East Orange, NJ whereby the city assesses applicant's needs, identifies reputable contractors to conduct the work, and provides budget and loan counseling. This segment of the HI program yielded 19 loans totaling over $350 thousand during the review period.

The mortgage loan program features a reduced application fee, reduction in the interest rate, and slightly higher housing and debt ratios when compared to secondary market mortgages as these loans are typically held in portfolio. The borrower must meet income eligibility requirements. This program resulted in 399 loan originations totaling $59.9 million.

Investment Test:

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

HCSB's overall performance under the Investment Test is reasonable. Qualified investments were almost exclusively in MBS, which return funds to the general mortgage market to promote additional lending. There was very little direct investment in qualified community development activities that address the pressing needs of local communities for affordable housing, job creation and retention, and neighborhood revitalization and stabilization.

The only direct investment made during the current review period was an increase in the bank's investment with New Jersey Community Capital (NJCC) from $100 thousand to $200 thousand. Please see the NY CSA section of this report for details on NJCC.

The bank purchased 78 targeted MBS totaling $220 million during the three-year review period, representing an increase from the $146.6 million purchased during the prior evaluation period. All of the underlying mortgage loans were to LMI borrowers and the majority of loans underlying each MBS issue were in one of the bank's AAs.

Institution (continued)

HCSB also has prior review period qualified CD investments, including NJCC, Connecticut Housing Investment Fund (CHIF), and Community Capital Management (CCM). Please refer to the NY CSA section for further details on CHIF and CCM. The total book value of these qualified CD investments is $165 million as of December 31, 2010.

Qualified bank CD donations exceeded $264 thousand during the three year review period, including contributions to the foundation in 2009 and 2010 for a combined $135 thousand. The bank continues to operate an affiliated charitable foundation. For the three-year period, $627.5 in total foundation donations were extended to qualified CD organizations. Details of these organization's activities are included in the individual AA sections below.

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.

The bank's provision of retail and community development services demonstrated an inadequate focus on the needs of LMI communities and individuals.

Retail Services

HCSB provides a broad range of traditional thrift deposit services and loan products primarily targeted to consumers throughout its branch delivery system. A full range of checking, savings, certificates of deposit, and retirement accounts are available. A wide range of traditional closed-end mortgage loans as well as open-end home equity lines of credit are available.

The bank's branches do not unnecessarily inconvenience combined AA LMI populations, but penetration of LMI geographies is low when compared to the number of geographies and demographic information. Table 9 details the number and percentage of branches in each geography income category and compares that to the number and percentage of geographies and families in each income classification.

Institution (continued)

Table 9 - Distribution of Banking Offices Combined Assessment Area						
Geog Inc Level	**# of Branches**		**Geographies**		**Total Area Families**	
2000 Census:	**#**	**%**	**#**	**%**	**#**	**%**
Low	4	3.0%	160	6.6%	116,841	4.2%
Moderate	11	8.1%	434	17.9%	442,828	16.0%
Middle	50	37.0%	891	36.8%	1,020,441	36.9%
Upper	70	51.9%	915	37.8%	1,182,398	42.9%
Income NA	0	0.0%	22	0.9%	0	0.0%
Total	135	100.0%	2,422	100.0%	2,762,508	100.0%

As Table 9 shows, the bank has fewer branches on a percentage basis in low-income geographies (3.0 percent) versus comparable data for geographies (6.6 percent) and families (4.2 percent). The difference is more dramatic in moderate-income geographies where 8.1 percent of branches are in moderate-income geographies versus 17.9 percent of AA geographies and 16.0 percent of the AA families living in moderate-income geographies. Table 9 shows a significantly higher percentage of branches in upper-income geographies when compared to geographies and families. The branch geographic distribution has focused away from LMI geographies since the prior evaluation, with 16 new branches opened split evenly in middle and upper-income geographies. No new offices opened in low-or-moderate-income geographies, and no branches were closed since the prior evaluation.

Most branches have an Automated Teller Machine (ATM), drive-up window, walk-up window, or combination thereof for customer convenience. Just under 90 percent of branches have an ATM located on-site. Over 46 percent of branches have a drive-up window and 38 percent have a walk-up window. Those that do not are generally restricted by the urban nature of the locations and lot size issues. Most banking offices (92 percent) maintain Saturday hours for customer convenience and this is consistent for branches in moderate-income geographies (10 of 11). However, only one of the four branches in low-income geographies has Saturday hours. Alternate service and product delivery systems include on-line banking, bank-by-mail, and telephone banking.

Community Development Services

Management and staff demonstrated very limited involvement with combined AA CD organizations through provision of financial or technical assistance. HCSB was involved during the review period with CD service activities as follows:

- A non-profit group that provides food for residents in need in Bergen, Hudson, Essex, and Passaic Counties; serving on various loan committees for the Housing Development Fund a significant provider of affordable housing in Southwestern Connecticut; and, serving on various advisory committees for a local group that provides transitional housing for disadvantaged youth;

Institution (continued)

- HCSB sponsored eight applications for FHLB-NY AHP (Affordable Housing Program) grants totaling $4.3 million. Three of these totaling $2.2 million were approved for funding. Please refer to the NY CSA AA and NJ AA discussions for details on each project that was awarded funding under the AHP programs.
- HCSB sponsors and provides employees for educational workshops and seminars. These included four "pre-foreclosure" workshops in 2010, three of which were in the bank's combined AA. Most participants in the workshops were earning incomes at or below the LMI benchmark.

Fair Lending or Other Illegal Credit Practices Review

An evaluation of compliance with consumer laws and regulations was performed during the 2009 comprehensive examination of the institution. No violations of the substantive provisions of the laws and regulations prohibiting discrimination or other illegal credit practices were identified during that examination.

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-Newark-Bridgeport, NY-NJ-CT CSA

CRA RATING[a]:	**Satisfactory**
The Lending Test is rated:	**Low Satisfactory**
The Investment Test is rated:	**High Satisfactory**
The Service Test is rated:	**Needs to Improve**

Bank performance under the lending test is marginal. Although the bank is among the market leaders in HMDA mortgage lending for 2008 and 2009 in the NY CSA, only a simple majority of reportable HMDA mortgage loans originated and purchased over the review period were in this AA. The bank's market share falls significantly in terms of lending to LMI borrowers and the percentage of loans extended to LMI borrowers is significantly below the performance of aggregate lenders. Bank lending in NY CSA AA LMI geographies is consistent with aggregate lenders. The bank provided nearly $6 million in community development loans during the review period in the NY CSA AA, a very limited performance based on available resources. HCSB had a reasonable performance meeting community credit needs under its two innovative and flexible loan products.

Bank performance under the Investment Test was consistent in the NY CSA AA with the prior CRA evaluation, and remains acceptable for the current review period. The majority of HCSB's current period investments took the form of purchased mortgage backed securities. Direct qualified investments were only $100 thousand during the current period. Qualified CD donations made by the bank and charitable foundation were reasonable.

The bank provides a wide range of traditional thrift deposit and loan products through a substantial branch network. The percentage of branches in LMI geographies is substantially below the percentage of geographies and families residing in LMI geographies. All 11 branch openings in the NY CSA AA since the prior CRA evaluation were in middle- and upper-income geographies. Management and staff had very limited direct involvement in activities with community development organizations.

Scope of Examination

We utilized Large Savings Association examination procedures, including evaluation of HMDA reportable mortgage loans originated and purchased between January 1, 2008 and December 31, 2010, as well as community development loans and investments originated, and community

[a] 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.

development services, between the prior evaluation date (April 2, 2008) and the current evaluation date (March 14, 2011).

Description of Institution's Operations in NY-Newark-Bridgeport, NY-NJ-CT CSA

HCSB's main office in Paramus, NJ is within the NY CSA AA along with 114 of the remaining 134 branch offices. New Jersey banking offices are located in Middlesex (4), Monmouth (6), Ocean (14), Somerset (1), Essex (10), Hunterdon (1), Morris (10), Union (3), Bergen (24), Hudson (8), Passaic (4), and Mercer (3) Counties for a total of 88 NJ branches in the CSA. New York offices in the CSA are in Putnam (1), Richmond (5), Rockland (1), and Westchester (10) counties for a total of 17 branches. In Connecticut, Fairfield County is home to the remaining nine branches. This multi-state CSA review includes the two Warren County, NJ and one Atlantic County, NJ branches, as these areas do not extend substantially beyond the boundaries of the CSA. This AA does not include Suffolk County which, although part of the CSA, reflects a separate non-contiguous AA reviewed and rated separately under the State of New York (NY AA) section.

HMDA aggregate data for 2009 shows a high level of competition for mortgage lending in the NY CSA AA, a similar trend as in the combined AA. All CSA lenders originated 259.1 thousand HMDA reportable mortgage loans totaling $80.8 billion. Also, 1.7 thousand mortgage loans totaling $337.6 million originated in the additional portions of Atlantic and Warren County. The substantial majority of bank lending activity was in this AA during the review period; as such greatest weight was assigned to performance in this AA in arriving at the bank's overall CRA rating.

Description of NY-Newark-Bridgeport, NY-NJ-CT CSA AA

Based on the location of its branches, HCSB designates a portion of the New York-Newark-Bridgeport, NY-NJ-CT-PA CSA (#408) as an AA. This AA contains 2,044 geographies. Table 10 illustrates the designated counties within the NY CSA AA, along with the applicable Metropolitan Statistical Area (MSA) or Metropolitan Division (MD). The bank includes the entire county unless otherwise noted.

***Table 10* – New York CSA Assessment Area**	
MSA/MD #	**MSA/MD Name and County**
14860	Bridgeport-Stamford-Norwalk, CT MSA
	Fairfield County
20764	Edison-New Brunswick, NJ MD
	Middlesex, Monmouth, Ocean and Somerset Counties
35084	Newark-Union, NJ-PA MD
	Essex, Hunterdon, Morris and Union Counties
35644	New York-White Plains-Wayne, NY-NJ MD
	Bergen, Hudson, and Passaic in NJ and Putnam, Richmond, Rockland and Westchester Counties in NY
45940	Trenton-Ewing, NJ MSA
	Mercer County
10900*	Allentown-Bethlehem-Easton, PA-NJ MSA
	Warren County (towns of Hackettstown and Mansfield only)
12100*	Atlantic City-Hammonton, NJ MSA
	Atlantic County (towns of Galloway and Port Republic only)
(*) While these MSA's are not officially part of the NY CSA, they are contiguous to it and do not extend substantially beyond the CSA boundary.	

Table 11 illustrates demographic data on population, families, and housing units within the NY CSA AA.

***Table 11* - Demographic Data (Based on 2000 U.S. Census Data)**	
Demographic Data	**2000 Census**
Population	9,096,701
Total Families	2,337,714
1-4 Family Units	2,720,130
Multi-family Units	734,749
% Owner-Occupied Units	61%
% Rental-Occupied Units	34%
% Vacant Housing Units	5%
Weighted Average Median Housing	$217,543

Table 12 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 12* - Distribution of Geographies, Families and Housing Units NY CSA Assessment Area**						
Geog Inc Level	**Geographies**		**Total Area Families**		**1-4 Family Dwellings**	
2000 Census:	**#**	**%**	**#**	**%**	**#**	**%**
Low	158	7.7%	115,600	4.9%	115,619	4.3%
Moderate	368	18.0%	364,311	15.6%	411,853	15.1%
Middle	664	32.5%	762,233	32.6%	905,570	33.3%
Upper	840	41.1%	1,095,570	46.9%	1,287,039	47.3%
Income NA	14	0.7%	0	0.0%	49	0.0%
Total	2,044	100.0%	2,337,714	100.0%	2,720,130	100.0%

According to 2000 census data, 33.8 percent of the families in the NY CSA AA are low- to moderate-income, with 6.2 percent of the families reporting income below the poverty level. Table 13 shows the distribution of families in each income range of the NY CSA AA.

***Table 13*- Distribution of Families NY CSA AA**		
Family Income Category (As a % of MSA Median)	**2000 Census Data**	
	Number	**Percent**
Low (< 50%)	428,126	18.3%
Moderate (50% - 79%)	361,171	15.4%
Middle (80% - 119%)	448,678	19.2%
Upper (>= 120%)	1,099,739	47.1%
Total	2,337,714	100.0%

The economy in the CSA AA appears to be improving as most economic indicators are trending positively. The unemployment rate was 4.3 percent as of the prior CRA evaluation, rose to 9.3 percent as of year-end 2009, and has since declined to 8.2 percent as of December 31, 2010. Housing Price Indices published by the Federal Housing Finance Agency show dramatic declines in CSA single family house prices since the prior evaluation. For two of the larger MSAs within this CSA AA, HPI indices have continued to decline but less dramatically over the most recent year.

In the New York-White Plains-Wayne, NJ-NY MSA, the HPI change was negative 1.07 percent, versus negative 8.91 percent over the past five years. In the Edison-New Brunswick, NJ MSA, the HPI change was negative 0.59 percent, versus negative 10.72 percent over the past five years.

A community contact was conducted and several past contacts reviewed to obtain additional perspectives on the economy and assess CRA-related opportunities in the markets. The results of reviewed contacts confirm a recovering economy with remaining concerns regarding stagnant home prices.

Conclusions with Respect to Performance Tests in NY-Newark-Bridgeport, NY-NJ-CT CSA AA

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

Lending Test:

Lending in the NY CSA AA

For the three year review period, 28 thousand mortgage loans totaling $14.3 billion were originated or purchased by HCSB in the NY CSA AA. This volume represents approximately 90 percent of the number and dollar amount of mortgage loans in the combined AA.

Similar to the combined AA, HCSB is an active mortgage lender in the NY CSA AA as seen in HMDA aggregate market share data for 2008 and 2009. In 2008, over 190 thousand mortgage loans originated for $59 billion in the NY CSA AA. HCSB was the 5th leading mortgage originator in 2008 with 7.8 thousand originations. In 2009, over 260 thousand mortgage loans originated for a $80 billion in the NY CSA AA. HCSB was the 4th leading mortgage originator in 2009 with 8.7 thousand originations.

Borrower Characteristics

Part of the lending test includes an analysis of HCSB's distribution of loans among borrowers of different income levels within the NY CSA AA. Table 14 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 2008 and 2009 aggregate lenders' ratios.

Table 14* - Distribution of Hudson City Savings Bank's HMDA-Reportable Loans By Borrower Income Level in the NY CSA Assessment Area *(Dollars in thousands)

Borrower Inc. Level	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate 2008	Aggregate 2009
By Number:	#	%	#	%	#	%	#	%	% by #	% by #
Low	157	1.7%	420	3.9%	116	1.5%	693	2.5%	3.8%	3.6%
Moderate	473	5.1%	748	6.9%	402	5.1%	1,623	5.8%	11.8%	11.6%
Middle	695	7.4%	1,090	10.1%	666	8.5%	2,451	8.8%	19.7%	20.5%
Upper	6,053	64.7%	6,577	61.1%	5,407	68.6%	18,037	64.4%	50.4%	54.4%
Income NA	1,973	21.1%	1,941	18.0%	1,286	16.3%	5,200	18.5%	14.3%	9.9%
Total	9,351	100.0%	10,776	100.0%	7,877	100.0%	28,004	100.0%	100.0%	100.0%
By $ Amt:	$	%	$	%	$	%	$	%	% by $	% by $
Low	$8,483	0.2%	$60,529	1.1%	$6,948	0.2%	$75,960	0.5%	1.5%	1.6%
Moderate	55,370	1.2%	116,678	2.2%	53,654	1.3%	225,702	1.6%	6.8%	7.0%
Middle	159,240	3.4%	256,458	4.8%	161,206	3.9%	576,904	4.0%	14.5%	15.8%
Upper	3,499,853	73.7%	3,940,166	74.1%	3,534,458	84.5%	10,974,477	77.1%	60.3%	66.0%
Income NA	1,026,520	21.5%	946,423	17.8%	426,488	10.1%	2,399,431	16.8%	16.9%	9.6%
Total	$4,749,466	100.0%	$5,320,254	100.0%	$4,182,754	100.0%	$14,252,474	100.0%	100.0%	100.0%

Table 14 shows HCSB originated or purchased significantly fewer loans, on a percentage basis, to LMI borrowers when compared to aggregate lenders' data in both years. For 2008, 6.8 percent of its reported mortgage loans were to LMI borrowers versus 15.6 percent for aggregate. For 2009, 10.8 percent of reported mortgage loans were to LMI borrowers versus 15.2 percent for aggregate. For 2010, 6.6 percent of reported mortgages were to LMI borrowers. These results are very similar to the bank's performance in the combined AA.

Analysis of originations only reveal HCSB extended 6.8 percent of all 2008 originations to LMI borrowers versus 17.2 percent for aggregate. HCSB extended 8.7 percent of all 2009 originations to LMI borrowers versus 17.1 percent for aggregate. For 2010, HCSB extended 7.5 percent of

originations to LMI borrowers. Analyzing originations only yields a larger difference between bank lending to LMI borrowers versus aggregate lenders' data.

The bank's market share of LMI borrower mortgage originations is much lower than its overall market share of loans in the NY CSA AA. HCSB was the 5th leading mortgage originator in 2008 and 4th in 2009. In terms of LMI originations only, HCSB was the 12th leading lender in 2008 and 10th in 2009 for mortgage originations to LMI borrowers.

Geographic Distribution of Loans

Part of the lending test includes an analysis of HCSB's distribution of loans among geographic areas of different income levels within the NY CSA AA. Table 15 illustrates loan originations, categorized by geography income level, reported by HCSB during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Table 15* - Distribution of Hudson City Savings Bank's HMDA-Reportable Loans By Geography Income Level in the NY CSA Assessment Area *(Dollars in thousands)

Geography Inc. Level	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate 2008	Aggregate 2009
By Number:	#	%	#	%	#	%	#	%	% by #	% by #
Low	90	1.0%	228	2.1%	95	1.2%	413	1.5%	2.1%	1.0%
Moderate	762	8.1%	1,279	11.9%	604	7.7%	2,645	9.4%	11.4%	7.3%
Middle	2,015	21.5%	2,155	20.0%	1,715	21.8%	5,885	21.0%	34.1%	31.0%
Upper	6,456	69.1%	7,098	65.9%	5,440	69.1%	18,994	67.9%	52.3%	60.6%
Income NA	28	0.3%	16	0.1%	23	0.2%	67	0.2%	0.1%	0.1%
Total	9,351	100.0%	10,776	100.0%	7,877	100.0%	28,004	100.0%	100.0%	100.0%
By $ Amt:	$	%	$	%	$	%	$	%	% by $	% by $
Low	$19,611	0.4%	$53,253	1.0%	$18,536	0.4%	$91,400	0.6%	1.3%	0.6%
Moderate	231,783	4.9%	343,479	6.5%	144,624	3.5%	719,886	5.1%	8.3%	5.2%
Middle	720,838	15.2%	713,673	13.4%	559,708	13.4%	1,994,219	14.0%	27.1%	24.3%
Upper	3,760,302	79.2%	4,199,608	78.9%	3,443,616	82.3%	11,403,526	80.0%	63.1%	69.8%
Income NA	16,932	0.3%	10,241	0.2%	16,270	0.4%	43,443	0.3%	0.2%	0.1%
Total	$4,749,466	100.0%	$5,320,254	100.0%	$4,182,754	100.0%	$14,252,474	100.0%	100.0%	100.0%

Table 15 shows reasonable performance in penetrating LMI geographies when compared to aggregate lenders' data in the NY CSA AA. HCSB reported 9.1 percent of 2008 mortgage originations and purchases in LMI geographies versus 13.5 percent for aggregate lenders. Bank performance improved to 14.0 percent in 2009 while aggregate data reflected an overall decline in LMI geography lending at 8.3 percent. Bank performance declined to 8.9 percent in LMI geographies in 2010.

Consistent with the combined AA, the bank's performance in lending in LMI geographies is primarily driven by purchases whereas performance in middle- and upper-income geographies is primarily driven by originations.

Community Development Lending

HCSB did not provide any direct loan funds for community development during the review period in the NY CSA AA. Community development loans provided to organizations that serve the AA, as well as a broader state wide or regional area, are discussed above.

Innovative and Flexible Lending Practices

HCSB's involvement with innovative and flexible loan programs is described in the combined AA section above. The bank originated 685 LMI home improvement loan program loans totaling $12 million in all AAs during the review period. Of these, approximately 90 percent of the number and dollar amount were in the NY CSA AA. Under the mortgage loan program, approximately 90 percent of the number and 91 percent of the dollar amount of these loans were in the NY CSA AA.

Investment Test:

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

HCSB's performance under the Investment Test is reasonably responsive to the NY CSA AA. The only direct investment was a $100 thousand increase in an investment with New Jersey Community Capital (NJCC) during the review period. NJCC is a community development financial institution (CDFI) based in Trenton, NJ and supports a regional revolving loan fund for a broad range of affordable housing and economic development providers.

Of the $220 million in qualified CD investments made during the review period in the combined AAs, $200.5 million or 91.1 percent is allocated to the NY CSA AA. This dollar amount is consistent with the 90.9 percent of lending, 87 percent of branches, 84 percent of geographies, and 85 percent of the population represented by the NY CSA in the combined AA.

As noted previously, the purchase of mortgage backed securities comprise the bulk of CD investments in the NY CSA AA during the review period with $200.4 million of the total $200.5 million amount. Of the 78 purchased MBSs, 50 are wholly attributable to NY CSA properties and another 24 secured by NY CSA properties as well as other AA properties.

Other prior period investments include: a $7 million investment in the CRA Qualified Investment Fund managed by Community Capital Management (CCM). CCM allocates a portion of its funds to community development investments within the Bank's NY CSA AA; and, a prior period investment with the Connecticut Housing Investment Fund (Fund), a private non-profit 501(c)(3) tax exempt organization whose primary purpose is affordable housing. The Fund is certified by the U.S.

Department of Treasury as a CDFI and conducts community lending activities throughout Connecticut.

Contributions to qualified organizations benefiting 63 groups in the NY CSA AA totaled $875 thousand or 98.2 percent of total direct bank and foundation contributions made during the review period in the combined AAs. 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 16 highlights the activities of some of the groups that received contributions.

Table 16: Community Development Contributions in the NY CSA 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, NJ	Non-profit affordable housing development agency for LMI families in Union County
Housing Partnership for Morris County	Dover, NJ	Affordable housing facilitator for LMI residents of Morris County
Table to Table	Englewood Cliffs, NJ	Food distribution service for disadvantaged populations in Bergen, Passaic, Hudson and Essex counties
Fairmount Housing Corp.	Jersey City, NJ	Affordable housing developer
Affordable Housing Alliance	Eatontown, NJ	Affordable housing provider
New Jersey Community Development Corp.	Paterson, NJ	Community development and social service agency sponsoring Individual Development Accounts
St. Paul's Community Development Corp	Paterson, NJ	Organization provides shelter and transitional housing, and training for recovering substance abusers
Rebuilding Together, Inc	Ridgewood, NJ	Provides housing rehabilitation services in Bergen County

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 provides a broad range of traditional thrift deposit services and loan products primarily targeted to consumers throughout its branch delivery system. These are described in the combined AA section above. Table 17 details the number and percentage of branches in each geography income category and compares that to the number and percentage of geographies and families in each income classification.

Table 17 - Distribution of Banking Offices NY CSA Assessment Area						
Geog Inc Level			Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	4	3.4%	158	7.7%	115,600	4.9%
Moderate	8	6.8%	368	18.0%	364,311	15.6%
Middle	38	32.2%	664	32.5%	762,233	32.6%
Upper	68	57.6%	840	41.1%	1,095,570	46.9%
Income NA	0	0.0%	14	0.7%	0	0.0%
Total	118	100.0%	2,044	100.0%	2,337,714	100.0%

As Table 17 shows, the bank has fewer branches on a percentage basis in low-income geographies (3.4 percent) versus comparable data for geographies (7.7 percent) and families (4.9 percent). The difference is more dramatic for moderate-income geographies, with 6.8 percent of branches in those geographies versus 18.0 percent of AA geographies identified as moderate-income and 15.6 percent of the AA families living in moderate-income geographies. Table 17 shows a significantly higher percentage of branches in upper-income geographies when compared to geographies and families.

The geographic branch distribution noted above has moved further away from LMI geographies since the prior evaluation. The bank opened 11 branches during the review period in the NY CSA AA with three in middle- income, eight in upper income, and none in low-or-moderate-income geographies. No branches were closed since the prior evaluation in the NY CSA AA.

Most banking offices (92 percent) maintain Saturday hours for customer convenience and this is consistent for branches in moderate-income geographies (7 of 8). However, only one of the four branches in low-income geographies has Saturday hours

Community Development Services

HCSB management and staff had very limited direct involvement during the review period in the NY CSA AA with qualified community development organizations, based on the level of resources available to the bank. These activities are discussed in the combined AA section above.

State Summary

CRA Rating for New Jersey

CRA RATING[b]:	**Satisfactory**
The Lending Test is rated:	**Low Satisfactory**
The Investment Test is rated:	**Low Satisfactory**
The Service Test is rated:	**Low Satisfactory**

Performance under the lending test is adequate. HCSB is an active provider of mortgage credit in the NJ AA based on 2008 and 2009 HMDA market share data and continued that volume in 2010. Mortgage loan purchases are less prevalent in the NJ AA when compared to the NY CSA AA at approximately 7 percent of all HMDA reportable loans. The bank's market share of lending to low-and-moderate-income (LMI) borrowers is similar to the bank's overall market share and the percentage of loans extended to LMI borrowers is comparable to the performance of aggregate lenders. There are no low-income geographies in the NJ AA. The bank's lending in moderate-income geographies was entirely through loan purchases. The bank made no community development (CD) loans during the review period in the NJ AA. The bank extended an adequate number of loans in the NJ AA under its two innovative and flexible loan products.

Bank performance under the Investment Test in the NJ AA is adequate. The bank made no direct or foundation donations to entities solely serving the NJ AA. HCSB's current period investments took the form of purchased mortgage backed securities. The bank provides a wide range of traditional thrift deposit and loan products through a small focused branch network in the NJ AA. The bank sponsored a FHLB-NY AHP grant application which resulted in the construction of a significant affordable housing project in Burlington County. Conversely, management provided no support for community development services in the NJ AA.

[b] 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.

Scope of Examination

Hudson City Savings Bank's (Hudson) CRA evaluation utilized Large Savings Association examination procedures applied to this AA as identified above.

Description of Institution's Operations in New Jersey

HCSB's New Jersey operations include five branches (3.7 percent of the total number of offices) in Burlington, Camden, and Gloucester Counties. Although the bank does not identify a contiguous AA for the three counties, we evaluated them as one area because they represented a very small proportion of overall lending. As such, comparisons to aggregate loan data had limited meaning.

HMDA aggregate data for 2009 again shows a high level of competition for mortgage lending in the New Jersey AA. All Camden MD lenders originated 9.1 thousand HMDA reportable mortgage loans totaling $2.1 billion in the NJ AA.

Description of New Jersey Assessment Area

HCSB delineates three AAs that are exclusively within the State of New Jersey but are not part of the larger multi-state NY CSA AA. These AAs include several towns in Burlington, Camden and Gloucester Counties. While these AAs are all located in the Camden, NJ Metropolitan Division #15804, they are not contiguous. The three AAs, collectively referred to as the NJ AA, contain 58 geographies. Table 18 illustrates demographic data on population, families, and housing units within the NJ AA.

Table 18 **- Demographic Data**
(Based on 2000 U.S. Census Data)

Demographic Data	2000 Census
Population	227,396
Total Families	61,937
1-4 Family Units	75,156
Multi-family Units	16,018
% Owner-Occupied Units	75%
% Rental-Occupied Units	21%
% Vacant Housing Units	4%
Weighted Average Median Housing	$152,149

Table 19 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 19 - Distribution of Geographies, Families and Housing Units NJ Assessment Area						
Geog Inc Level	**Geographies**		**Total Area Families**		**1-4 Family Dwellings**	
2000 Census:	**#**	**%**	**#**	**%**	**#**	**%**
Moderate	2	3.4%	2,679	4.3%	2,683	3.6%
Middle	30	51.8%	30,352	49.0%	37,818	50.3%
Upper	26	44.8%	28,906	46.7%	34,655	46.1%
Total	58	100.0%	61,937	100.0%	75,156	100.0%

There are no low- income geographies in the NJ AA. According to 2000 census data, 28.2 percent of the families in the NJ AA are low- to moderate-income, with 2.8 percent of the families reporting income below the poverty level. The Department of Housing and Urban Development annually adjusts the 2000 census data to update the income levels. The adjusted figures are used in the Lending to Borrowers of Different Incomes section of this Performance Evaluation.

Table 20(a) indicates the median family income ranges of each income category based on the 2010 HUD adjustment; table 20(b) reflects the updated HUD median family income for each year during the review period; and table 20(c) shows the distribution of families in each income range of the NJ AA.

Table 20(a) - Median Family Income Ranges (*)		
Income Category (As % of MD Median)	**Income Ranges**	
	From	**To**
Low (< 50%)	$1	$41,749
Moderate (50% - 79%)	$41,750	$66,799
Middle (80% - 119%)	$66,800	$100,199
Upper (>= 120%)	$100,200	+

* Based on HUD 2010 Median Family Income of the Camden, NJ MD

Table 20(b)-Annual HUD Median Family Income	
Year	**Amount**
2008	$78,300
2009	$82,800
2010	$83,500

Table 20(c)- Distribution of Families NJ Assessment Area		
Family Income Category (As a % of MD Median)	**2000 Census Data**	
	Number	**Percent**
Low (< 50%)	7,813	12.6%
Moderate (50% - 79%)	9,630	15.5%
Middle (80% - 119%)	14,025	22.6%
Upper (>= 120%)	30,469	49.3%
Total	61,937	100.0%

The economy in New Jersey appears to be improving as most economic indicators are trending positively. The unemployment rate in the MSA that includes the Camden MD declined from 8.7 percent as of year-end 2009 to 8.4 percent as of December 31, 2010. Housing Price Indices, published by the Federal Housing Finance Agency, show dramatic declines in single family house prices since the time of the prior evaluation in New Jersey, but less dramatic of late. The HPI change for New Jersey was negative 1.0 percent over the past year, versus negative 11.2 percent over the past five years.

A community contact was conducted and several past contacts reviewed to obtain additional perspectives on the economy and assess CRA-related opportunities in the markets. The results of reviewed contacts confirm a recovering economy with remaining concerns regarding stagnant home prices.

Conclusions with Respect to Performance Tests in NJ Assessment Area

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

Lending Test:

Lending in the NJ Assessment Area

For the three year review period, 279 mortgage loans totaling $96.1 million were originated or purchased by HCSB in the NJ AA. This volume represents less than 1 percent of the number and dollar amount of mortgage loans in the overall combined AAs. Of the 279 mortgage loans reported by HCSB during the review period in the NJ AA, 259 (92.8 percent) were mortgage originations. Based on HMDA aggregate market share data for 2008 and 2009, over 15 thousand mortgage loans were originated for $3.4 billion in the NJ AA . HCSB was the 26th ranked mortgage originator in 2008 with 77 loans, and 30th in 2009 with 76 originations.

Table 21 reflects the distribution of HMDA-reportable loans within the three NJ AAs.

***Table 21* - Distribution of HMDA-Reportable Loans**
By Individual New Jersey Assessment Area
(Dollars in thousands)

Assessment Area ***By Number:***	2008	2009	2010	Review Period	% Of Comb AA
Burlington County, NJ	40	47	59	146	0.5%
Camden County, NJ	32	33	41	106	0.3%
Gloucester County, NJ	11	8	8	27	0.1%
Total	83	88	108	279	0.9%
By Dollar Amount:					
Burlington County, NJ	$17,000	$16,200	$29,019	$62,219	0.4%
Camden County, NJ	7,318	10,569	12,770	30,657	0.2%
Gloucester County, NJ	1,018	1,847	392	3,257	0.0%
Total	$25,336	$28,616	$42,181	$96,133	0.6%

Borrower Characteristics

Part of the lending test includes an analysis of HCSB's distribution of loans among borrowers of different income levels within the NJ Combined AA. Table 22 illustrates loan originations, categorized by borrower income level, reported by HCSB during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Table 22 **- Distribution of Hudson City Savings Bank's HMDA-Reportable Loans By Borrower Income Level in NJ Assessment Area** ***(Dollars in thousands)***

Borrower Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate 2008	Aggregate 2009
By Number:	#	%	#	%	#	%	#	%	% by #	% by #
Low	1	1.2%	8	9.1%	6	5.6%	15	5.4%	4.8%	4.3%
Moderate	15	18.1%	11	12.5%	11	10.2%	37	13.3%	17.0%	16.0%
Middle	13	15.7%	8	9.1%	20	18.5%	41	14.7%	22.7%	22.8%
Upper	48	57.8%	50	56.8%	66	61.1%	164	58.8%	44.4%	46.7%
Income NA	6	7.2%	11	12.5%	5	4.6%	22	7.8%	11.1%	10.2%
Total	83	100.0%	88	100.0%	108	100.0%	279	100.0%	100.0%	100.0%
By $ Amt:	$	%	$	%	$	%	$	%	% by $	% by $
Low	$20	0.1%	$566	2.0%	$275	0.7%	$861	0.9%	2.4%	2.1%
Moderate	1,033	4.1%	1,376	4.8%	721	1.7%	3,130	3.3%	11.7%	11.0%
Middle	1,705	6.7%	994	3.5%	3,243	7.7%	5,942	6.2%	19.4%	19.4%
Upper	19,275	76.1%	21,137	73.9%	35,125	83.3%	75,537	78.6%	54.2%	57.5%
Income NA	3,303	13.0%	4,543	15.8%	2,817	6.6%	10,663	11.0%	12.3%	10.0%
Total	$25,336	100.0%	$28,616	100.0%	$42,181	100.0%	$96,133	100.0%	100.0%	100.0%

Table 22 shows HCSB originated or purchased fewer loans to low-income borrowers and more to moderate-income borrowers in 2008. Results were opposite for 2009 with more loans to low-income borrowers and fewer to moderate-income borrowers in 2009. When combined, bank lending and purchases in both years was comparable to aggregate lenders' results. For 2010, bank reported 15.6 percent of loans to LMI borrowers representing a modest decline in performance.

The bank's market share of LMI borrower mortgage originations is slightly lower than its overall market share of loans in the NJ AA. HCSB was the 26th leading mortgage originator in 2008 and 30th in 2009 in the NJ AA. HCSB was the 29th leading lender in 2008 and 36th in 2009 for mortgage originations to LMI borrowers in the NJ AA.

Geographic Distribution of Loans

Part of the lending test includes an analysis of HCSB's distribution of loans among geographic areas of different income levels within the NJ Combined AA. Table 23 illustrates loan originations, categorized by geography income level, reported by HCSB during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Table 23 **- Distribution of Hudson City Savings Bank's HMDA-Reportable Loans By Geography Income Level in NJ Assessment Area**
(Dollars in thousands)

Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate 2008	Aggregate 2009
By Number:	#	%	#	%	#	%	#	%	% by #	% by #
Moderate	2	2.4%	4	4.5%	0	0.0%	6	2.2%	1.6%	1.1%
Middle	27	32.5%	34	38.6%	27	25.0%	88	31.5%	49.0%	43.1%
Upper	54	65.1%	50	56.9%	81	75.0%	185	66.3%	49.4%	55.8%
Total	83	100.0%	88	100.0%	108	100.0%	279	100.0%	100.0%	100.0%
By $ Amt:	$	%	$	%	$	%	$	%	% by $	% by $
Moderate	$281	1.1%	$696	2.4%	$0	0.0%	$977	1.0%	0.9%	0.7%
Middle	5,233	20.7%	7,494	26.2%	4,952	11.7%	17,679	18.4%	39.6%	34.6%
Upper	19,822	78.2%	20,426	71.4%	37,229	88.3%	77,477	80.6%	59.5%	64.7%
Total	$25,336	100.0%	$28,616	100.0%	$42,181	100.0%	$96,133	100.0%	100.0%	100.0%

Table 23 shows adequate performance in penetrating moderate-income geographies when compared to aggregate data in the bank's NJ AA. HCSB reported 2.4 percent of 2008 mortgages in moderate-income geographies versus 1.6 percent for aggregate lenders. Bank performance improved to 4.5 percent in 2009 while aggregate data reflected a decline in moderate-income geography lending to 1.1 percent. HCSB made no loans in moderate-income geographies in 2010. The relatively low volume of lending activity in the NJ AA renders overall conclusions less meaningful.

All six HMDA reportable mortgage loans in moderate-income NJ AA geographies during the review period were purchases with no mortgage originations. Results for middle- and upper-income geographies were very different, with 81 of 84 (96.4 percent) middle-income geography mortgage loans originated. Of the 189 upper-income geography loans, 178 (94.2 percent) were originations.

Community Development Lending

HCSB did not provide any funds for community development loans during the review period in the NJ AA. The bank did have a relationship with TICIC noted above that served a broader statewide or regional area including this AA.

Innovative and Flexible Lending Practices

HCSB continued to offer a LMI home improvement loan program and a LMI mortgage program described above.

Approximately seven percent of the number and dollar amount of the home improvement loans, and nine percent of the number and eight percent of the dollar amount of the mortgage loans were in the NJ AA. The volume of LMI home improvement and mortgage program lending in the NJ AA is consistent with the bank's presence and operations in this AA.

Investment Test:

HCSB's overall performance under the Investment Test is considered reasonable in the NJ AA.

There were no direct bank or foundation community development donations extended during the three-year review period in the NJ AA. Of the $220 million in targeted CD qualified mortgage-backed securities purchased by the Bank during the review period, $5.4 million (2.5 percent) is directly allocated to the NJ AA, based on the location of the underlying mortgages.

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 provides a broad range of traditional thrift deposit services and loan products primarily targeted to consumers throughout its branch delivery system. The bank's branches are reasonably accessible to residents of the NJ AA. Table 24 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 24 - Distribution of Banking Offices
NJ Assessment Area

Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Moderate	0	0.0%	2	4.3%	2,679	4.3%
Middle	3	60.0%	30	49.0%	30,352	49.0%
Upper	2	40.0%	26	46.7%	28,906	46.7%
Total	5	100.0%	58	100.0%	61,937	100.0%

There are only two moderate-income geographies in the NJ AA and the bank does not have a presence in either one. With only five total branches in the NJ AA, the locations of HCSB's branches are considered reasonable and serve this smaller AA without undue inconvenience to LMI populations.

Branch operating hours are reasonable and comparable to banks operating in the respective communities in the NJ AA. No branches were opened or closed since the prior evaluation in the NJ AA.

Community Development Services

HCSB personnel were not involved in any direct qualified community development service activities in this AA. A $1.5 million FHLB AHP grant was awarded to construct a 100 unit affordable housing project for senior citizens in Burlington County.

State Summary

CRA Rating for New York

CRA RATING[c]:	**Needs to Improve**
The Lending Test is rated:	**Needs to Improve**
The Investment Test is rated:	**Needs to Improve**
The Service Test is rated:	**Low Satisfactory**

Performance under the lending test is weak in the Suffolk County AA. HCSB demonstrated an overall good level of reportable mortgage activity in the AA, however, the bank's record of lending to LMI borrowers is poor and substantially below aggregate lending data. Lending in AA LMI geographies is consistent with aggregate reporters. Lending in LMI geographies is primarily driven by loan purchases whereas lending in middle-and upper-income geographies is primarily driven by originations. The bank provided no community development loans during the review period in the Suffolk County AA. The bank's record of lending through its innovative and flexible products is also weak considering the bank's presence in the AA.

Performance under the Investment Test has declined in the Suffolk County AA since the prior CRA evaluation and is considered weak. The volume of MBS purchase activity in this AA declined since the prior evaluation and no other traditional CD investments were funded in this AA. The dollar amount of direct bank qualified CD donations made in this AA has also declined significantly since the prior evaluation.

The bank provides a wide range of traditional thrift deposit and loan products through a twelve-office branch network in the Suffolk County AA. The breakdown of branches amongst geographies of different income levels is reasonable. All five branch openings in the Suffolk County AA since the prior CRA evaluation were in middle-income geographies. There were no CD-qualified service activities during the review period in the Suffolk County AA.

Scope of Examination

HCSB's CRA evaluation utilized Large Savings Association examination procedures applied to this AA as identified above.

[c] 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

HCSB maintains twelve branch offices in Suffolk County, or 8.9 percent of all offices. HMDA aggregate data for 2009 shows a high level of competition for mortgage lending in Suffolk County, representing a similar trend as the other AAs. All Nassau-Suffolk MD lenders originated 29.4 thousand HMDA reportable mortgage loans totaling $8.8 billion in the 320 geographies delineated as HCSB's AA. The number of aggregate mortgage loans reflects 9.8 percent of the total mortgage originations for the overall AA.

Description of Suffolk County, NY Assessment Area

HCSB designates all of Suffolk County with its 320 geographies as its AA. Table 25 illustrates demographic data on population, families, and housing units within the Suffolk County AA.

Table 25 **- 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 26 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 26 **- Distribution of Geographies, Families and Housing Units Suffolk County 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%

According to 2000 census data, 39.4 percent of the families in the Suffolk County AA are classified as low- to moderate-income, with 4 percent of the families reporting income below the poverty level. The Department of Housing and Urban Development (HUD) annually adjusts the 2000 census data to update the income levels. The adjusted figures are used in the Lending to Borrowers of Different Incomes section of this Performance Evaluation. Table 27(a) indicates the median family income ranges of each income category based on the 2010 HUD adjustment; table 27(b) reflects the updated HUD median family income for each year during the review period; and table 27(c) shows the distribution of families in each income range of the Suffolk County AA.

Table 27(a) **- Median Family Income Ranges (*)**

Income Category (As % of MD Median)	Income Ranges	
	From	To
Low (< 50%)	$1	$51,799
Moderate (50% - 79%)	$51,800	$82,879
Middle (80% - 119%)	$82,880	$124,319
Upper (>= 120%)	$124,320	+

Table 27(b) **- Annual HUD Median Family Income**

Year	Amount
2008	$97,100
2009	$101,800
2010	$103,600

* Based on HUD 2010 Median Family Income of the Nassau-Suffolk, NY MD

Table 27**(c)- Distribution of Families Suffolk County 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%

The economy in New York, and Suffolk County in particular, appears to be improving as most economic indicators are trending positively. The unemployment rate in Suffolk County remained at 7.3 percent between year-end 2009 and 2010. This figure is substantially lower than the New York State unemployment rate at 8.2 percent as of December 31, 2010. Housing Price Indices, published by the Federal Housing Finance Agency, show dramatic declines in single family house prices since the time of the prior evaluation in New York and Suffolk County, but less dramatic of late. The HPI change for the Nassau-Suffolk MSA was negative 0.36 percent over the past year, versus negative 12.44 percent over the past five years.

A community contact was conducted and several past contacts reviewed to obtain additional perspectives on the economy and assess CRA-related opportunities in the markets. The results of reviewed contacts confirm a recovering economy with remaining concerns regarding stagnant home prices.

The community development organization contact that serves both Suffolk and Nassau Counties, identified the economy as struggling as Nassau and Suffolk Counties ranked first and fourth respectively in terms of statewide foreclosures. The contact indicated that there is continued downward pressure on home prices and there is a glut of housing. Demographic trends show young people leaving Long Island, an aging population, and an increasingly diverse population. The contact noted there is a need for first time homebuyer loan programs and down payment assistance since many banks curtailed such lending programs. The contact was satisfied with all local banks for their financial support of the organization's efforts.

Conclusions with Respect to Performance Tests in Suffolk County Assessment Area

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

Lending Test:

Lending in the Suffolk County Assessment Area

For the three year review period, 2.5 thousand mortgage loans totaling $1.6 billion were originated or purchased in the Suffolk County AA. This volume represents 8.2 percent of the number and 10.1 percent of the mortgage dollars in the overall combined AAs. The bank originated 75.5 percent of its AA loans. HCSB is an active mortgage loan originator in the Suffolk County AA as seen in HMDA aggregate market share data for 2008 and 2009. In 2008, approximately 24 thousand mortgage loans originated for $7.7 billion in the Suffolk County AA. HCSB was the 11th leading mortgage originator in 2008 with 498 originations. In 2009, over 29 thousand mortgage loans originated for $8.8 billion in the AA. HCSB was the 7th leading mortgage originator in 2009 with 701 originations.

Borrower Characteristics

Part of the lending test includes an analysis of HCSB's distribution of loans among borrowers of different income levels within the Suffolk County AA. Table 28 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 2008 and 2009 aggregate lenders' ratios.

Table 28* - Distribution of Hudson City Savings Bank's HMDA-Reportable Loans By Borrower Income Level in the Suffolk County Assessment Area *(Dollars in thousands)

Borrower Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate 2008	Aggregate 2009
By Number:	#	%	#	%	#	%	#	%	% by #	% by #
Low	2	0.3%	58	6.2%	9	1.1%	69	2.7%	5.0%	6.2%
Moderate	12	1.6%	48	5.2%	42	5.0%	102	4.0%	17.7%	20.3%
Middle	39	5.2%	88	9.5%	88	10.4%	215	8.5%	25.2%	27.8%
Upper	364	48.1%	493	53.0%	513	60.6%	1,370	54.1%	33.2%	35.4%
Income NA	339	44.8%	244	26.1%	195	22.9%	778	30.7%	18.9%	10.3%
Total	756	100.0%	931	100.0%	847	100.0%	2,534	100.0%	100.0%	100.0%
By $ Amt:	$	%	$	%	$	%	$	%	% by $	% by $
Low	$95	0.0%	$12,450	2.2%	$661	0.1%	$13,206	0.8%	2.0%	3.3%
Moderate	1,312	0.2%	9,810	1.7%	7,808	1.5%	18,930	1.2%	11.2%	14.0%
Middle	11,052	2.1%	24,961	4.3%	25,348	5.0%	61,361	3.8%	19.4%	22.3%
Upper	295,872	55.8%	363,426	63.2%	392,281	77.7%	1,051,579	65.3%	43.4%	49.5%
Income NA	221,968	41.9%	164,255	28.6%	79,428	15.7%	465,651	28.9%	24.0%	10.9%
Total	$530,299	100.0%	$574,902	100.0%	$505,526	100.0%	$1,610,727	100.0%	100.0%	100.0%

Table 28 shows HCSB originated or purchased significantly fewer loans, on a percentage basis, to LMI borrowers when compared to aggregate data in both years where aggregate data is available. For 2008, 1.9 percent of its reported mortgage loans were to LMI borrowers versus 22.7 percent for aggregate. For 2009, there was a sharp increase to 11.4 percent of loans to LMI borrowers, however, the bank continued to significantly lag the 26.9 percent performance for aggregate lenders. For 2010, the penetration rate dropped sharply, as 6.1 percent of reported mortgages were to LMI borrowers.

The table identifies a significantly higher incidence of "NA Income" loans for the bank versus aggregate in Table 43. To control for this phenomenon in lending to LMI borrowers, the analysis was produced with originations only. HCSB extended 2.4 percent of all 2008 originations to LMI borrowers versus 25.9 percent for aggregate lenders. This rose to 6.1 percent of all 2009 originations to LMI borrowers versus 28.9 percent for aggregate lenders. For 2010, HCSB extended 7.1 percent of originations to LMI borrowers. Regardless of which measure is used, the bank's performance in lending to LMI borrowers is substantially below that of aggregate data on a percentage basis for each respective year.

The bank's market share of LMI mortgage originations is insignificant in the Suffolk County AA. Considering all Suffolk County AA mortgage originations, HCSB was the 11th leading lender in 2008 with 498 originations and the 7th leading lender in 2009 with 701 originations. HCSB originated a mere 12 LMI loans in 2008 positioning the bank as the 65th leading lender in market share. Fifteen banks originated more than 100 LMI mortgage loans in the AA in 2008 with two reporting more than 500 LMI loans.

Bank LMI originations increased to 43 in 2009 placing the bank in 37th market share position with respect to LMI originations. For 2009, 17 banks granted more than 100 LMI loans with four extending more than 500.

Geographic Distribution of Loans

Part of the lending test includes an analysis of HCSB's distribution of loans among geographic areas of different income levels within the Suffolk County AA. Table 29 illustrates loan originations, categorized by geography income level, that were reported by HCSB during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Table 29 **- Distribution of Hudson City Savings Bank's HMDA-Reportable Loans**
By Geography Income Level in the Suffolk County Assessment Area
(Dollars in thousands)

Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate 2008	Aggregate 2009
By Number:	#	%	#	%	#	%	#	%	% by #	% by #
Low	3	0.4%	3	0.3%	0	0.0%	6	0.2%	0.4%	0.2%
Moderate	128	16.9%	164	17.6%	188	22.2%	480	18.9%	21.8%	17.0%
Middle	496	65.6%	593	63.7%	529	62.5%	1,618	63.9%	62.9%	65.3%
Upper	129	17.1%	171	18.4%	130	15.3%	430	17.0%	14.9%	17.5%
Total	756	100.0%	931	100.0%	847	100.0%	2,534	100.0%	100.0%	100.0%
By $ Amt:	$	%	$	%	$	%	$	%	% by $	% by $
Low	$881	0.2%	$879	0.2%	$0	0.0%	$1,760	0.1%	0.3%	0.1%
Moderate	82,848	15.6%	86,242	15.0%	88,153	17.4%	257,243	16.0%	17.9%	13.6%
Middle	362,402	68.3%	389,187	67.7%	336,258	66.6%	1,087,847	67.5%	65.1%	66.1%
Upper	84,168	15.9%	98,594	17.1%	81,115	16.0%	263,877	16.4%	16.7%	20.2%
Total	$530,299	100.0%	$574,902	100.0%	$505,526	100.0%	$1,610,727	100.0%	100.0%	100.0%

Table 29 shows reasonable performance in penetrating low-and-moderate-income (LMI) geographies when compared to aggregate data in the bank's Suffolk County AA. HCSB reported 17.3 percent of 2008 mortgage originations and purchases in LMI geographies versus 22.2 percent for aggregate lenders. Bank performance improved to 17.9 percent in 2009 while aggregate data reflected a decline in LMI geography lending to 17.2 percent. Bank performance improved to 22.2 percent in moderate-income geographies in 2010, although no loans were in low-income geographies in 2010.

Community Development Lending

HCSB did not provide any funds for community development lending during the review period in the Suffolk County AA.

Innovative and Flexible Lending Practices

HCSB continued to offer a LMI home improvement loan program and a LMI mortgage program described above.

Approximately three percent of the number and dollar amount of the home improvement loans, and one percent of the number and two percent of the dollar amount of the mortgage loans were in the Suffolk County AA. The volume of LMI home improvement and mortgage program lending in the Suffolk County AA is substantially lower than and inconsistent with the bank's presence and operations in this AA.

Investment Test:

Under the investment test, the areas reviewed consisted of the institution's traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs. HCSB's overall performance in the Suffolk County AA is in need of improvement.

Since the last examination, HCSB has decreased its role in providing community development funding within the Suffolk County AA through the purchase of mortgage-backed security (MBS) investments and grants to qualified organizations. Of the $220 million in targeted mortgage-backed securities purchased by the Bank during the review period, only $2.4 million (1.1 percent) was allocated to Suffolk County, compared with $15.7 million (10.7 percent) at the prior evaluation.

Community development contributions through the bank's foundation in the Suffolk County AA totaled $7 thousand, or 1.1 percent of total contributions made during the evaluation period. This reflects a significant decrease from the prior CRA evaluation where $15 thousand or 2.4 percent of total contributions made during the prior review period. The beneficiaries of the contributions were two community development organizations that serve as non-profit affordable housing developers.

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 provides a broad range of traditional thrift deposit services and loan products primarily targeted to consumers throughout its branch delivery system. The bank's branches are reasonably accessible to residents of the Suffolk County AA. Table 30 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 30 - Distribution of Banking Offices NY CSA Assessment Area						
Geog Inc Level			Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	0	0.0%	2	0.6%	1,241	0.3%
Moderate	3	25.0%	64	20.0%	75,838	20.9%
Middle	9	75.0%	197	61.6%	227,856	62.8%
Upper	0	0.0%	49	15.3%	57,922	16.0%
Income NA		0.0%	8	2.5%	0	0.0%
Total		100.0%	320	100.0%	362,857	100.0%

As Table 30 shows, the bank maintains a reasonable distribution of its banking offices in the Suffolk County AA. While there are no branches in low-income geographies, there are only two low-income geographies in the Suffolk County AA and less than a one- half percent of AA families reside in these low-income geographies. HCSB's three branches located in moderate-income geographies compares favorably with the percentage of moderate-income geographies and the geographic dispersion of AA families. The bank opened five branches during the review period in this AA, all in middle-income geographies. No branches were closed since the prior evaluation in the Suffolk County AA. Branch operating hours are reasonable and comparable to banks operating in the respective communities in the AA.

Community Development Services

HCSB did not provide any community development services in the AA.

Appendix A

Scope of Examination

SCOPE OF EXAMINATION		
Full scope CRA evaluation		
TIME PERIOD REVIEWED:	**January 1, 2008 – December 31, 2010**	
FINANCIAL INSTITUTION		**PRODUCTS REVIEWED**
Hudson City Savings Bank		**HMDA reportable loans**
AFFILIATE(S)	**AFFILIATE RELATIONSHIP**	**PRODUCTS REVIEWED**
None		

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	**TYPE OF EXAMINATION**	**BRANCHES VISITED[1]**	**OTHER INFORMATION**
New York CSA	Full Scope	Main Office	
Burlington County NJ	Full Scope	None	
Camden County NJ	Limited Scope	None	
Gloucester County NJ	Limited Scope	None	
Suffolk County NY	Full Scope	None	

[1] 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 CSA	Low Satisfactory	High Satisfactory	Needs to Improve	Satisfactory
New Jersey State	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
New York State	Needs to Improve	Needs to Improve	Low Satisfactory	Needs to Improve

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.