



**NEW YORK STATE  
DEPARTMENT OF FINANCIAL SERVICES  
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION**

One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2016

**Institution:** Metropolitan Commercial Bank

**Address:** 99 Park Avenue  
New York, NY 10016

**Note:** This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Department of Financial Services concerning the safety and soundness of this financial institution.

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## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Metropolitan Commercial Bank (“MCB”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of MCB’s CRA performance based on an evaluation conducted as of December 31, 2016.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Superintendent (“GRS”) implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) Outstanding record of meeting community credit needs;
- (2) Satisfactory record of meeting community credit needs;
- (3) Needs to improve in meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary (“Evaluation”) be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

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## **OVERVIEW OF INSTITUTION'S PERFORMANCE**

The Department evaluated MCB under the intermediate small banking institution performance standards pursuant to Sections 76.7 and 76.12 of the GRS. The Department evaluated MCB's performance under the lending test in calendar years 2014, 2015, and 2016, and its performance under the community development test from January 1, 2014 to June 30, 2017. MCB is rated "Satisfactory," or "2." This rating means MCB had a "satisfactory" record of helping to meet community credit needs.

The rating is based on the following factors:

**Lending Test:** "Satisfactory"

**Loan-to-Deposit Ratio and Other Lending-Related Activities:** "Satisfactory"

MCB's average loan-to-deposit ("LTD") ratio was reasonable considering its size, business strategy, financial condition, and peer group activity. MCB's average LTD ratio of 101.2% for the evaluation period exceeded the peer's average LTD ratio of 79.8%. Considering MCB's other lending-related activities, MCB's overall rating was reasonable.

**Assessment Area Concentration:** "Satisfactory"

During the evaluation period, MCB originated 71.0% by number and 83.4% by dollar value of its New York HMDA-reportable and small business loans within the assessment area. This majority of New York lending reflects a reasonable concentration of lending within MCB's assessment area.

**Distribution by Borrower Characteristics:** "Satisfactory"

The distribution of small business loans based on the revenue size of the business demonstrated a reasonable rate of lending among businesses of different revenue sizes.

*(Note: HMDA-reportable loans were not rated in this category because MCB is a commercial lender and does not offer personal home mortgages. The 25 HMDA-reportable loans were extended as accommodations to its commercial clients and/or borrowers.)*

**Geographic Distribution of Loans:** "Needs to Improve"

MCB's origination of loans in census tracts of varying income levels demonstrated a less than adequate distribution of lending. During the evaluation period, MCB generated a total of 25 HMDA-reportable loans, of which only one loan was made in a low-income census tract. For small business lending, MCB had 63 loans and only three were in low-income census tracts. MCB does not market its products and services, and relies primarily on referrals to generate new business.

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Action Taken in Response to Written Complaints with Respect to CRA: “N/A”

Neither DFS nor MCB received any written complaints during the evaluation period regarding MCB’s CRA performance.

**Community Development Test: “Satisfactory”**

MCB’s community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering MCB’s capacity, and the need and opportunities for community development in its assessment area.

Community Development Lending: “Outstanding”

During the evaluation period, MCB originated \$144.3 million in new community development loans and had \$21.6 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Community Development Investments: “Satisfactory”

During the evaluation period, MCB made \$3 million in new community development investments, and had \$2.1 million outstanding from prior evaluation periods. In addition, MCB made \$111,000 in community development grants. In total, MCB made \$5.2 million in qualified community development investments and grants, demonstrating a satisfactory level of qualified investments over the course of the evaluation period.

Community Development Services: “Needs to Improve”

MCB provided a limited level of community development services over the course of the evaluation period. A small number of employees and officers of the bank provided financial services or technical assistance to organizations in MCB’s assessment area.

Responsiveness to Community Development Needs

MCB demonstrated an adequate level of responsiveness to credit and community development needs through its qualified community development lending and investments. Some of MCB’s community development activities supported affordable housing in New York City where affordable housing has reached a crisis point, according to the latest NYC Government report.

*This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York Banking Law and GRS Part 76.*

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## **PERFORMANCE CONTEXT**

### **Institution Profile**

MCB was established and federally chartered in 1999 as Metropolitan National Bank. In 2013 the bank became a New York State chartered bank and changed its name to MCB. MCB is wholly-owned by Metropolitan Bank Holding Corporation and headquartered in New York City.

MCB operates five branches. Three branches are in Manhattan, one is in Brooklyn, and one is in Nassau County. MCB offers traditional personal banking products, such as checking, savings, and electronic banking. Additionally, MCB offers banking products and services to small businesses, middle-market enterprises and public entities, such as commercial real estate lending, commercial and industrial loans, trade finance, cash management, and other services.

Per the Consolidated Report of Condition (the Call Report) as of December 31, 2016, filed with the Federal Deposit Insurance Corporation ("FDIC"), MCB reported total assets of \$1.2 billion, of which \$1.1 billion were net loans and lease financing receivables. MCB also reported total deposits of \$1 billion, resulting in a 104.6% LTD ratio. According to the latest available comparative deposit data, as of June 30, 2016, MCB had a market share of 0.08% (\$958.4 million in a market of \$1.229 trillion), ranking it 46<sup>th</sup> among 116 deposit-taking institutions in its assessment area.

The following is a summary of MCB's loan portfolio, based on Schedule RC-C of the bank's December 31, 2014, 2015 and 2016 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
Loan Type	2014		2015		2016	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	79,812	12.6	109,129	13.3	91,234	8.6
Commercial & Industrial Loans	187,536	29.5	258,662	31.5	312,856	29.5
Commercial Mortgage Loans	276,201	43.5	341,440	41.5	444,202	41.9
Multifamily Mortgages	53,234	8.4	46,609	5.7	117,373	11.1
Consumer Loans	0	0.0	3,825	0.5	17,978	1.7
Construction Loans	26,296	4.1	50,878	6.2	49,931	4.7
Agriculture Loans	1,253	0.2	1,103	0.1	958	0.1
Other Loans	11,165	1.8	10,618	1.3	25,738	2.4
<b>Total Gross Loans</b>	<b>635,497</b>	<b>100</b>	<b>822,264</b>	<b>100</b>	<b>1,060,270</b>	<b>100</b>

As illustrated in the above table, as of December 31, 2016, MCB is primarily a commercial lender with 41.9% of its loan portfolio in commercial mortgages, 29.5% in commercial and industrial loans, and 11.1% in multifamily mortgages.

Compared to the prior evaluation period, MCB’s loan portfolio almost doubled, from \$533.7 million to \$1.1 billion. Commercial mortgage loans increased from \$275.8 million to \$444.2 million and commercial and industrial loans increased from \$131.2 million to \$312.9 million, which accounted for \$350 million of the growth. Both types of loans increased in each year of the evaluation period. In addition, in 2015 MCB introduced consumer lending which added \$18 million to the loan portfolio at the end of 2016. MCB attributed the strong lending portfolio to its increase in commercial loan officers, client referrals, and a large deposit base.

MCB operates five banking offices: three in Manhattan, one in Brooklyn, and one in Great Neck. MCB has three automated teller machines (“ATMs”) at each branch office. Twelve of the fifteen ATMs accept deposits. Two of the three Manhattan branches are in upper-income census tracts and the other is in an unknown-income census tract. The Brooklyn and Great Neck branches are in moderate- and middle-income census tracts, respectively.

*Examiners did not find evidence of financial or legal impediments that had an adverse impact on MCB’s ability to meet the credit needs of its community.*

**Assessment Area**

MCB’s assessment area is comprised of Bronx, Kings, Nassau, New York, Queens, and Richmond counties.

There are 2,452 census tracts in the area, of which 345 are low-income, 655 are moderate-income, 802 are middle-income, and 574 are upper-income; 72 tracts have no income indicated.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	10	143	97	60	29	339	70.8
Kings	13	125	295	213	115	761	55.2
Nassau	8	9	26	157	84	284	12.3
New York	12	44	61	25	146	288	36.5
Queens	26	21	169	314	139	669	28.4
Richmond	3	3	11	33	61	111	12.6
<b>Total</b>	<b>72</b>	<b>345</b>	<b>659</b>	<b>802</b>	<b>574</b>	<b>2,452</b>	<b>40.9</b>

**Demographic & Economic Data**

The assessment area had a population of 9,514,665 during the evaluation period. Approximately 12.3% of the population were over the age of 65 and 19.2% were under the age of 16.

Of the 2,182,411 families in the assessment area, 29.6% were low-income, 17.1% were moderate-income, 17.5% were middle-income, and 35.7% were upper-income families. There were 3,400,082 households in the assessment area, of which 16.5% had income below the poverty level and 3.8% were on public assistance. The weighted average median family income in the assessment area was \$73,038.

There were 3,810,145 housing units within the assessment area, of which 45.9% were one-to-four family units, and 53.9% were multifamily units. A majority (55.6%) of the area's housing units were rental units, while 36% were owner occupied. Of the 1,370,023 owner-occupied housing units, 20.1% were in LMI census tracts while 79.9% were in middle- and upper-income census tracts. The median age of the housing stock was 72 years, and the median home value in the assessment area was \$527,491.

There were 605,622 non-farm businesses in the assessment area. Of these, 86% were businesses with reported revenues of less than or equal to \$1.0 million; 7.2% reported revenues of more than \$1.0 million; and 6.8% did not report their revenues. Of all the businesses in the assessment area, 96.9% were businesses with less than fifty employees and 91.3% operated from a single location. The largest industries in the assessment area were services (50.1%), retail trade (15.1%), and finance, insurance, and real estate (9.5%); 7.3% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, New York State's average unemployment rate during the evaluation period was 5.5%, which represented a 32.8% decrease compared to the prior evaluation period. Of the counties in MCB's assessment area, Nassau County had the lowest unemployment rates, while Bronx County had the highest.

<b>Assessment Area Unemployment Rate</b>							
	Statewide	Bronx	Kings	Nassau	New York	Queens	Richmond
2014	6.3	9.8	7.6	4.8	6.1	6.4	7.5
2015	5.3	7.8	5.9	4.2	4.9	5.0	5.8
2016	4.8	7.1	5.3	3.9	4.5	4.5	5.2
Average	<b>5.5</b>	<b>8.2</b>	<b>6.3</b>	<b>4.3</b>	<b>5.2</b>	<b>5.3</b>	<b>6.2</b>

### **Community Information**

DFS examiners interviewed a community based organization whose mission is to assist in the development, promotion, and revitalization of affordable homeownership and rental housing through specialized programs and services that benefit the residents of New York City. The organization partners with New York City, the State of New York, developers, financial institutions, and community groups to provide affordable housing.

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According to the organization's contact, there are many opportunities for participation by local financial institutions in various areas. One of the areas mentioned was commercial lending. The contact felt that financial institutions are not tailoring their loans to fit the credit needs of businesses that have different credit needs. The contact stated that financial institutions should have different lending criteria, and not use a one size fits all approach. Local financial institutions should be more involved in construction lending. With respect to community needs, the contact also indicated that more developers should take advantage of the tax incentives provided in the Article XI regulatory agreement, which is a New York City approved program that provides tax incentives for the construction or rehabilitation of affordable housing.

Examiners interviewed another organization whose mission is to bring together one hundred senior female investment professionals to leverage their collective relationships and enhance communication within the alternative investment industry. The organization identified three areas where its collaborative efforts could affect change and empower women in the industry and beyond: peer engagement, philanthropy, and education.

The contact noted that the majority of women-owned start-ups do not want to expand their businesses even if there are opportunities to do so. In that regard, these businesses could greatly benefit from financial education. The contact mentioned that the organization works with larger financial institutions. However, there are enormous opportunities for local financial institutions to provide their financial expertise. Finally, the contact noted a need for mentorship programs, such as creation of business plans, marketing, compliance, and risk management for these start-up businesses.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*The Department evaluated MCB under the intermediate small banking institution performance standards pursuant to Sections 76.7 and 76.12 of the GRS, which consist of the lending test and the community development test.*

*The lending test includes:*

- 1. Loan-to-deposit ratio and other lending-related activities;*
- 2. Assessment area concentration;*
- 3. Distribution of loans by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA.*

*The community development test includes:*

- 1. Community development lending;*
- 2. Qualified investments;*
- 3. Community development services; and*
- 4. Responsiveness to community development needs.*

*DFS also considered the following factors in assessing the bank's record of performance:*

- 1. The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Evidence of any practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. Record of opening and closing offices and providing services at offices; and*
- 5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs.*

DFS derived statistics employed in this evaluation from various sources. MCB submitted bank-specific information both as part of the examination process and on its Call Report. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS calculated LTD ratios from information shown in the bank's Uniform Bank Performance Report submitted to the FDIC.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor.

The evaluation period included calendar years 2014, 2015 and 2016 for the lending test. For the community development test, the evaluation period was January 1, 2014 to June 30, 2017.

Examiners considered MCB's small business and HMDA-reportable loans in evaluating factors (2), (3), and (4) of the lending test noted above.

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Small business loan aggregate data are shown for comparative purposes. MCB is not required to report this data. Therefore, MCB is not included in the aggregate data. Since MCB did not make any small farm loans, all analyses were based on small business lending only.

As a commercial bank, MCB does not typically provide personal lending products; the 25 HMDA-reportable loans originated during the evaluation period were accommodations for its commercial clients.

HMDA-reportable data in this performance evaluation represented originations. For small business lending, the data represented actual originations and purchases from a medical financing company. Greater weight was given to small business lending since it represented 71.6% by number of MCB's total HMDA-reportable and small business loans made inside the assessment area during this evaluation period. In addition, MCB is primarily a commercial lender.

At its **prior** Performance Evaluation, as of March 31, 2014, DFS assigned MCB a rating of "2," reflecting a "Satisfactory" record of helping to meet community credit needs.

**Current CRA Rating: "Satisfactory"**

**Lending Test:** "Satisfactory"

MCB's small business and HMDA-reportable lending activities were reasonable considering MCB's size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of the assessment area.

**Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:** "Satisfactory"

MCB's average LTD ratio was reasonable considering its size, business strategy, financial condition, aggregate, and peer group activity. MCB showed strong lending activity in comparison to its peer group in each year of the evaluation period. MCB had a LTD ratio of more than 100% in nine of the twelve quarters of the evaluation period. On average, MCB's LTD ratio of 101.2% exceeded by 21.4% its peer group's average of 79.8%. However, a significant portion of MCB's loans were small business loans made outside of its assessment area and outside of New York. In addition, MCB made only one HMDA-reportable loan and three small business loans in low-income census tracts. MCB's assessment area consists of 345 low-income census tracts, with a business demographic of 9.3% for businesses located in low-income census tracts, indicating lending opportunities in low-income census tracts. These other lending-related activities were considered in determining that MCB's LTD ratio was reasonable.

The table below shows MCB's LTD ratios in comparison with the peer group's ratios for the period covered during the current evaluation period.

<b>Loan-to-Deposit Ratios</b>													
	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	Avg.
Bank	105.3	104.1	100.2	101.5	100.6	103.1	97.1	103.0	95.0	97.9	102.3	104.6	101.2
Peer	74.8	77.0	77.6	78.3	77.4	79.3	79.8	80.1	81.4	83.7	83.8	83.9	79.8

**Assessment Area Concentration: “Satisfactory”**

During the evaluation period, MCB originated 71% by number and 83.4% by dollar value of its New York HMDA-reportable and small business loans within its assessment area. This majority of New York lending inside of its assessment area is a reasonable record of lending.

HMDA-Reportable Loans

During the evaluation period, MCB originated 86.2% by number and 85.7% by dollar value of its HMDA-reportable loans made to New York borrowers within its assessment area. This percentage represented a majority of New York lending inside of MCB’s assessment area.

Small Business Loans

During the evaluation period, MCB originated 66.3% by number and 77.3% by dollar value of its small business loans made to New York borrowers within its assessment area. This percentage represented a majority of New York lending inside of MCB’s assessment area, and is a satisfactory record of lending. However, a substantial portion of MCB’s total small business loans nationwide were purchased from a third party and were loans to out-of-state borrowers. Of the more than 500 loans purchased, only 44 were made to New York State borrowers, and of these only 20 loans originated within MCB’s assessment area.

The following table shows the percentages of HMDA-reportable and small business loans made to New York borrowers that MCB originated inside and outside of its assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>HMDA-Reportable</b>										
2014	15	88.2%	2	11.8%	17	33,391	93.6%	2,281	6.4%	35,672
2015	5	83.3%	1	16.7%	6	16,913	65.3%	9,000	34.7%	25,913
2016	5	83.3%	1	16.7%	6	23,170	95.9%	1,000	4.1%	24,170
Subtotal	25	86.2%	4	13.8%	29	73,474	85.7%	12,281	14.3%	85,755
<b>Small Business</b>										
2014	22	75.9%	7	24.1%	29	9,952	75.3%	3,269	24.7%	13,221
2015	21	72.4%	8	27.6%	29	8,451	86.8%	1,281	13.2%	9,732
2016	20	54.1%	17	45.9%	37	6,546	70.2%	2,782	29.8%	9,328
Subtotal	63	66.3%	32	33.7%	95	24,949	77.3%	7,332	22.7%	32,281
Grand Total	88	71.0%	36	29.0%	124	98,423	83.4%	19,613	16.6%	118,036

Distribution by Borrower Characteristics: "Satisfactory"

HMDA-Reportable Loans

MCB is a commercial lender and does not offer personal home mortgage loans. MCB originated 25 HMDA-reportable loans originated during the evaluation period as accommodations to its commercial borrowers. Therefore, MCB's HMDA-reportable loans were not rated as a part of analyzing distribution by borrower characteristics.

Small Business Loans

The rate of lending of MCB's small business loans based on the revenue size of the business demonstrated reasonable lending among businesses of different revenue sizes.

The following table provides a summary of MCB's small business lending distribution based on the revenue size of the business during the evaluation period.

<b>Distribution of Small Business Lending by Revenue Size of Business</b>									
<b>2014</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	13	61.9%	5,789	58.2%	94,371	41.7%	2,041,449	31.2%	72.3%
Rev. > \$1MM	4	19.0%	934	9.4%					5.7%
Rev. Unknown	4	19.0%	3,229	32.4%					22.0%
<b>Total</b>	<b>21</b>		<b>9,952</b>		<b>226,572</b>		<b>6,537,183</b>		
<b>2015</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	11	57.9%	2,151	25.5%	124,255	49.4%	1,953,165	29.5%	77.2%
Rev. > \$1MM	4	21.1%	2,000	23.7%					6.2%
Rev. Unknown	4	21.1%	4,300	50.9%					16.6%
<b>Total</b>	<b>19</b>		<b>8,451</b>		<b>251,543</b>		<b>6,617,642</b>		
<b>2016</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	15	88.2%	3,500	61.9%	120,085	45.6%	2,119,658	28.1%	86.0%
Rev. > \$1MM	2	11.8%	2,157	38.1%					7.2%
Rev. Unknown		0.0%		0.0%					6.8%
<b>Total</b>	<b>17</b>		<b>5,657</b>		<b>263,306</b>		<b>7,539,178</b>		
<b>GRAND TOTAL</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Rev. <= \$1MM	39	68.4%	11,440	47.5%		45.7%		29.5%	
Rev. > \$1MM	10	17.5%	5,091	21.2%					
Rev. Unknown	8	14.0%	7,529	31.3%					
<b>Total</b>	<b>57</b>		<b>24,060</b>						

#### Geographic Distribution of Loans: "Needs to Improve"

The distribution of loans based on lending in census tracts of varying income levels demonstrated a poor rate of lending.

Of the 25 HMDA-reportable loans, only one originated in a low-income census tract; and of the 63 small business loans considered for this evaluation, only three were in low-income census tracts. In 2016, MCB did not make any HMDA-reportable or small business loans in low-income census tracts. MCB's assessment area has a total of 345 low-income census tracts with a 9.3% low-income tract business demographic, indicating lending opportunities in this area.

The following table provides a summary of MCB's HMDA-reportable lending distribution based on the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2014									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	2,750	4.4%	2,754,570	7.1%	3.5%
Moderate	4	26.7%	6,723	20.1%	10,312	16.3%	6,680,153	17.1%	16.7%
LMI	4	26.7%	6,723	20.1%	13,062	20.7%	9,434,723	24.2%	20.1%
Middle	1	6.7%	1,577	4.7%	23,763	37.6%	9,524,475	24.4%	42.0%
Upper	10	66.7%	25,091	75.1%	26,316	41.6%	19,911,045	51.1%	37.9%
Unknown	0	0.0%	0	0.0%	77	0.1%	91,533	0.2%	0.0%
<b>Total</b>	<b>15</b>		<b>33,391</b>		<b>63,218</b>		<b>38,961,776</b>		
2015									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	20.0%	2,500	14.8%	3,142	4.2%	2,895,787	6.1%	3.5%
Moderate	0	0.0%	0	0.0%	11,968	15.9%	7,767,811	16.4%	16.7%
LMI	1	20.0%	2,500	14.8%	15,110	20.0%	10,663,598	22.5%	20.1%
Middle	1	20.0%	885	5.2%	28,966	38.4%	12,025,199	25.4%	42.0%
Upper	3	60.0%	13,528	80.0%	31,347	41.5%	24,588,124	52.0%	37.9%
Unknown	0	0.0%	0	0.0%	38	0.1%	40,282	0.1%	0.0%
<b>Total</b>	<b>5</b>		<b>16,913</b>		<b>75,461</b>		<b>47,317,203</b>		
2016									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	3,458	4.3%	3,284,632	6.3%	3.5%
Moderate	1	20.0%	1,500	6.5%	12,780	15.9%	8,833,107	17.0%	16.7%
LMI	1	20.0%	1,500	6.5%	16,238	20.2%	12,117,739	23.3%	20.1%
Middle	2	40.0%	5,945	25.7%	31,323	38.9%	13,373,086	25.7%	42.0%
Upper	2	40.0%	15,725	67.9%	32,888	40.9%	26,390,424	50.8%	37.9%
Unknown	0	0.0%	0	0.0%	32	0.0%	56,993	0.1%	
<b>Total</b>	<b>5</b>		<b>23,170</b>		<b>80,481</b>		<b>51,938,242</b>		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	4.0%	2,500	3.4%		2.9%		6.5%	
Moderate	5	20.0%	8,223	11.2%		11.0%		16.8%	
LMI	6	24.0%	10,723	14.6%	26,172	13.9%	32,216,081	23.3%	
Middle	4	16.0%	8,407	11.4%		41.4%		25.3%	
Upper	15	60.0%	54,344	74.0%		44.6%		51.3%	
Unknown	0	0.0%	0	0.0%		0.1%		0.1%	
<b>Total</b>	<b>25</b>		<b>73,474</b>						

The following table provides a summary of the distribution of MCB's small business loans by the income level of the geography.

<b>Distribution of Small Business Lending by Geographic Income of the Census Tract</b>									
<b>2014</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	2	9.1%	1,050	10.6%	20,718	9.1%	515,562	7.9%	9.3%
Moderate	5	22.7%	2,572	25.8%	43,396	19.2%	1,114,274	17.0%	19.8%
LMI	7	31.8%	3,622	36.4%	64,114	28.3%	1,629,836	24.9%	29.0%
Middle	8	36.4%	4,369	43.9%	63,144	27.9%	1,698,172	26.0%	28.2%
Upper	7	31.8%	1,961	19.7%	93,261	41.2%	2,922,952	44.7%	40.3%
Unknown	0	0.0%	0	0.0%	6,053	2.7%	286,223	4.4%	2.6%
<b>Total</b>	<b>22</b>		<b>9,952</b>		<b>226,572</b>		<b>6,537,183</b>		
<b>2015</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	1	4.8%	164	1.9%	24,187	9.6%	525,012	7.9%	9.3%
Moderate	4	19.0%	1,309	15.5%	51,319	20.4%	1,084,632	16.4%	19.9%
LMI	5	23.8%	1,473	17.4%	75,506	30.0%	1,609,644	24.3%	29.1%
Middle	4	19.0%	789	9.3%	70,892	28.2%	1,682,647	25.4%	28.5%
Upper	11	52.4%	6,114	72.3%	98,701	39.2%	3,015,276	45.6%	39.9%
Unknown	1	4.8%	75	0.9%	6,444	2.6%	310,075	4.7%	2.5%
<b>Total</b>	<b>21</b>		<b>8,451</b>		<b>251,543</b>		<b>6,617,642</b>		
<b>2016</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	24,357	9.3%	638,115	8.5%	9.3%
Moderate	2	10.0%	1,083	16.5%	51,960	19.7%	1,268,194	16.8%	19.8%
LMI	2	10.0%	1,083	16.5%	76,317	29.0%	1,906,309	25.3%	29.0%
Middle	6	30.0%	1,883	28.8%	74,883	28.5%	1,947,927	25.8%	28.3%
Upper	11	55.0%	3,480	53.2%	105,306	40.0%	3,350,871	44.5%	40.1%
Unknown	1	5.0%	100	1.5%	6,659	2.5%	330,685	4.4%	2.6%
<b>Total</b>	<b>20</b>		<b>6,546</b>		<b>263,165</b>		<b>7,535,792</b>		
<b>GRAND TOTAL</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	3	4.8%	1,214	4.9%		9.3%		8.1%	
Moderate	11	17.5%	4,964	19.9%		19.8%		16.8%	
LMI	14	22.2%	6,178	24.8%	215,931	29.1%	5,145,789	24.9%	
Middle	18	28.6%	7,041	28.2%		28.2%		25.8%	
Upper	29	46.0%	11,555	46.3%		40.1%		44.9%	
Unknown	2	3.2%	175	0.7%		2.6%		4.5%	
<b>Total</b>	<b>63</b>		<b>24,949</b>						

Action Taken in Response to Written Complaints with Respect to CRA: "N/A"

Neither DFS nor MCB received any written complaints during the evaluation period regarding MCB's CRA performance.

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**Community Development Test: “Satisfactory”**

MCB’s community development performance demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering MCB’s capacity and the need and availability of opportunities for community development in its assessment area.

A more detailed description of MCB’s community development activity follows.

**Community Development Lending: “Outstanding”**

During the evaluation period, MCB originated \$144.3 million in new community development loans, and had \$21.6 million outstanding from prior evaluation periods. Total new community development loans were more than twice the \$67.1 million originated during the prior evaluation period and represented 3.9% of annualized assets. This demonstrated an excellent level of community development lending over the course of the evaluation period.

<b>Community Development Loans</b>				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	8	49,456	0	0
Economic Development	0	0	1	5,000
Community Services	32	49,505	7	14,998
Revitalization/Stabilization	8	45,300	1	1,572
Total	48	144,261	9	21,570

The following are some highlights of MCB’s community development lending.

- MCB made \$40 million in loans for eighteen affordable multifamily housing developments in Brooklyn. Fourteen of these developments are in LMI census tracts.
- MCB made \$2.9 million in term loans for the purchase of equipment, including a patient locator system, for a health care facility located in a moderate-income census tract on Staten Island.
- MCB made \$45 million in revitalization/stabilization loans for ten affordable multifamily housing developments in Queens (Forest Hills, Flushing, and Corona). Seven of these developments are in moderate-income census tracts.

- MCB made two loans totaling \$3.9 million to a home for seniors located in Brooklyn for the purchase of an HVAC system, as well as other equipment and fixtures. The home is in a low-income census tract.
- MCB made loans totaling approximately \$740,000 to a skilled nursing and rehabilitation facility located in a moderate-income census tract in the Bronx. This facility derives 68% of its revenues from Medicaid.

Qualified Investments: “Satisfactory”

During the evaluation period, MCB made \$3 million in new community development investments, and had \$2.1 million outstanding from prior evaluation periods. In addition, MCB made \$111,000 in community development grants. In total, MCB had \$5.2 million in community development investments and grants, demonstrating a satisfactory level of qualified investments over the course of the evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	2	3,033	5	2,100
Economic Development				
Community Services				
Other (Please Specify)				
<b>Total</b>	<b>2</b>	<b>3,033</b>	<b>5</b>	<b>2,100</b>
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	5	59		
Economic Development				
Community Services	31	52		
Other (Please Specify)				
<b>Total</b>	<b>36</b>	<b>111</b>		

Below are highlights of MCB’s community development investments and grants.

Investments

In 2017, MCB purchased a \$1.4 million pool of mortgage-backed securities made up of thirty-year single-family structured pass through certificates. This investment pool has five underlying mortgaged properties located in MCB’s assessment areas. These loans were made to low- and moderate-income borrowers who had incomes which ranged from 53.7% to 77.1% of the average median income where the properties are located.

In 2016, MCB invested in a \$1.6 million ten-year multifamily structured pass through certificate mortgage-backed security. The funds were used to support a property in a moderate-income census tract in Brooklyn with a minority population of 74.5%. The property is subject to the Mitchell-Lama program, which was created for building

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affordable rental and cooperative housing for LMI residents. The project also benefits from a program administered by New York City's Department of Housing Preservation and Development that encourages the renovation of residential apartment buildings by giving partial property tax exemptions and abatement benefits.

### Grants

During the evaluation period, MCB made three grants totaling \$36,700 to a nonprofit organization supporting affordable housing in the assessment area. The organization's mission is to assist in the development, promotion, and revitalization of affordable homeownership and rental housing through an assortment of specialized programs and services in New York City.

MCB made grants of \$5,000 each year of the evaluation period, totaling \$15,000, to a nonprofit organization in New York City with national affiliation that provides a one-on-one mentorship to needy children facing adversity in New York City.

MCB gave \$3,000 to a nonprofit organization dedicated to transforming the lives of underserved New York City children. The organization identifies, funds and supports innovative, community-based organizations that provide skills to children, and tries to set them on paths to success.

### **Community Development Services: "Needs to Improve"**

MCB provided a limited level of community development services over the course of the evaluation period. A small number of employees and bank officers provided financial services and technical assistance to not-for-profit organizations.

The following are examples of MCB's community development services.

An employee provided technical assistance to a nonprofit organization located in a low-income census tract of Brooklyn. The organization serves hot meals, and prepares take-home food packages for the needy. LMI individuals and families can eat meals daily free of charge. With MCB's assistance, which includes administrative support such as collecting checks from walk-in donors, helping with logistical operations, and preparing reports, the organization can continue its mission of feeding needy individuals free of charge.

In 2016, MCB held a business networking event at its Great Neck banking center during which the bank's executive team provided financial advice to help middle-market and small business owners take advantage of various programs New York State has put in place to help drive innovation, entrepreneurship and economic development. By offering financial advice to professionals and business owners, the bank supports small businesses and assists in the economic development of the community.

An MCB officer provided technical assistance by training and assisting with construction

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loans that are in progress. The mission of the organization is to assist in the development, promotion, and revitalization of affordable homeownership and rental housing through programs and services that benefit the residents of New York City. By collaborating with this organization, the bank assists in promoting affordable housing while stimulating economic growth and revitalizing neighborhoods.

### Responsiveness to Community Development Needs

MCB demonstrated an adequate level of responsiveness to credit and community development needs through its qualified community development lending and investments. Some of MCB's community development activities supported affordable housing in New York City where affordable housing has reached a crisis point, according to the latest NYC Government report.

### Additional Factors

#### The extent of participation by the banking institution's Board of Directors or Board of Trustees in formulating CRA policies and reviewing CRA performance

Members of the board of directors are kept informed about matters that pertain to CRA. The board reviews and discusses CRA-related activities during board meetings. The bank provided an update to the board on the CRA program on June 8, 2017. MCB continues its support for community-based organizations that promote home ownership, community redevelopment, community stabilization activities, and education programs geared toward serving the low- and moderate-income population.

#### Discrimination and other illegal practices

- *Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.*

DFS examiners did not note evidence of practices by MCB intended to discourage applications for the types of credit offered by MCB.

- *Evidence of prohibited discriminatory or other illegal credit practices.*

DFS examiners did not note evidence of prohibited discriminatory or other illegal practices.

#### Record of opening and closing offices and providing services at offices

MCB has five full service branches as of December 31, 2016, which represents a fair distribution of branches within its assessment area. Of the five branches, one is in a LMI census tract, one is in a middle-income census tract, and two are in upper-income census tracts; one is in an unknown-income census tract.

MCB's record of opening and closing branches has not adversely affected the accessibility of its delivery system, particularly to LMI geographies and other LMI individuals.

During the evaluation period, MCB opened one new branch in Nassau County in a middle-income census tract.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Kings			1			1	100%
Nassau				1		1	0%
New York	1				2	3	0%
<b>Total</b>	<b>1</b>		<b>1</b>	<b>1</b>	<b>2</b>	<b>5</b>	<b>20%</b>

MCB offers electronic banking services to its customers. Such services include personal online banking, mobile banking, telephone banking, online bill payment, account alerts and E-statements with check imaging. These services are offered to all customers in MCB's assessment area.

Four out of five MCB branches provide once a week full banking services from 8:30 AM to 6:00 PM. In addition, the bank provides Sunday services at its Kings County branch located in a moderate-income area, from 10:00 AM to 2:00 PM.

MCB offers an array of products and services such as: Commercial Banking, which includes deposit products and lending solutions; Personal Banking, which includes checking, savings and electronic banking; Lending, which includes commercial real estate, industrial, and small business lending; and Prepaid Cards.

#### Process Factors

- *Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.*

In 2017 MCB established a committee whose responsibility is to coordinate educational and service events with the local community, and monitor and track community involvement and community-focused lending efforts.

- *The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution*

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MCB does not make use of any type of advertising.

**Other factors that in the judgment of the Superintendent bear upon the extent to which MCB is helping to meet the credit needs of its entire community**

DFS examiners noted no other factors.

## GLOSSARY

### Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

### Community Development

“Community development”:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

### Community Development Loan

A loan that has its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

## **Community Development Service**

Service that has community development as its *primary purpose*, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
  - ❖ Serving on a loan review committee;
  - ❖ Developing loan application and underwriting standards;
  - ❖ Developing loan processing systems;
  - ❖ Developing secondary market vehicles or programs;
  - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
  - ❖ Furnishing financial services training for staff and management;
  - ❖ Contributing accounting/bookkeeping services; and
  - ❖ Assisting in fund raising, including soliciting or arranging investments.

## **Geography**

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

## **Home Mortgage Disclosure Act (“HMDA”)**

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

## **Income Level**

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

<b>Income level of individual or geography</b>	<b>% of the area median income</b>
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

## **Small Business Loan**

A small business loan is a loan less than or equal to \$1 million.

## **Low or Moderate Income ("LMI") Geographies**

Those census tracts or block numbering areas where, according to the 2000 U.S. Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("PMSA"), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

## **LMI Borrowers**

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development ("HUD").

## **LMI Individuals/Persons**

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

### **LMI Penetration Rate**

A number that represents the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

### **Low-Income Housing Tax Credit (LIHTC)**

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

### **New Markets Tax Credit (NMTC)**

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

### **Qualified Investment**

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;

- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.