



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

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: June 30, 2017

Institution: NorthEast Community Bank
325 Hamilton Ave
White Plains, NY, 10601

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 Northeast Community Bank (“NECB”) 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 the institution’s CRA performance based on an evaluation conducted as of June 30, 2017.

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.

OVERVIEW OF INSTITUTION'S PERFORMANCE

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

The rating is based on the following factors:

Lending Test: "Outstanding"

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

NECB's average loan-to-deposit ("LTD") ratio was excellent considering its size, business strategy, financial condition, and peer group activity.

NECB's average LTD ratio of 112.7% for the evaluation period significantly exceeded the peer group's average ratio of 87.3%. NECB's quarterly LTD ratios ranged from 111% to 117.6%, which consistently exceeded its peer group's quarterly ratios of 83.4% to 89.4%.

Assessment Area Concentration: "Outstanding"

NECB originated 98.2% by number and 97.9% by dollar value of its total HMDA-reportable, small business, and construction loans within its assessment area. This substantial majority of lending inside the assessment area is an excellent concentration of lending.

Distribution by Borrower Characteristics: "Satisfactory"

NECB's lending among small businesses demonstrated a reasonable distribution of loans among businesses of different revenue sizes. This standard was evaluated solely on NECB's small business performance, as NECB's other type of lending was for multifamily, one-to-four family rental properties and construction and land development loans. These types of loans are generally paid through rental income or the borrower are companies; therefore, the income of the borrower is not reported.

NECB's rates of lending to businesses with revenue equal to or less than \$1 million exceeded the aggregate's rates every year of the evaluation period. However, NECB's rates and the aggregate's rates trailed the assessment area's business demographics.

Geographic Distribution of Loans: "Outstanding"

NECB's origination of HMDA-reportable, small business, and construction and land development loans in census tracts of varying income levels demonstrated an excellent distribution of lending.

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

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

Community Development Test: “Satisfactory”

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

Community Development Lending: “Outstanding”

NECB originated \$37.8 million in new community development loans during the evaluation period and had no outstanding loans from prior evaluation periods. Total community development lending represented 1.9% of annualized average total assets. This demonstrated an excellent level of community development lending.

Qualified Investments: “Satisfactory”

During the evaluation period, NECB made \$4 million in new qualified investments and had no qualified investments outstanding from prior evaluation periods. In addition, NECB made \$15,005 in community development grants. This demonstrated a reasonable level of qualified investments.

Community Development Services: “Satisfactory”

NECB demonstrated a reasonable level of community development services over the course of the evaluation period.

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.

PERFORMANCE CONTEXT

Institution Profile

NECB is a New York state-chartered (1934) savings bank headquartered in White Plains, New York. NECB is a wholly-owned subsidiary of Northeast Community Bancorp, Incorporated, which is a subsidiary of Northeast Community Bancorp Mutual Holding Company.

NECB operates seven full-service branch offices across two states: four in New York and three in Massachusetts. In addition, NECB operates three loan production offices: two in New York and one in Massachusetts.

NECB offers various banking products, including personal and business checking accounts, commercial real estate loans, construction loans, lines-of-credit, and small business loans. Banking services offered include remote deposit capture, mobile banking, online banking with bill payment, online financial management tools, automatic clearing house (ACH) services, sweep accounts, overdraft protection, and wealth management services.

Per the Consolidated Report of Condition (the "Call Report") as of December 31, 2016, filed with the Federal Deposit Insurance Corporation ("FDIC"), NECB reported total assets of \$724.8 million, of which \$619.6 million were net loans and lease financing receivables. It also reported total deposits of \$549.9 million, resulting in a LTD ratio of 112.7%. Per the latest available comparative deposit data, as of June 30, 2016, NECB had a market share of 0.03%, or \$324.4 million in a market of \$1.3 trillion, ranking it 78th among 134 deposit-taking institutions in the assessment area.

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

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2014		2015		2016	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	13,334	3.1	16,358	3.2	13,702	2.2
Commercial & Industrial Loans	34,407	8.1	35,888	7.1	57,349	9.2
Commercial Mortgage Loans	82,747	19.4	71,295	14.0	70,514	11.3
Multifamily Mortgages	249,953	58.7	269,103	53.0	237,260	38.1
Consumer Loans	142	0.0	123	0.0	111	0.0
Construction Loans	45,198	10.6	115,407	22.7	244,397	39.2
Total Gross Loans	425,781		508,174		623,333	

As illustrated in the above table, NECB is primarily a commercial lender. As of year-end 2016, construction loans and multifamily mortgages accounted for 39.2% and 38.1%, respectively, of total gross loans. During the course of the evaluation period, NECB's loan portfolio mix changed significantly as construction loans increased from 10.6% to 39.2% of the loan portfolio and became the primary loan product. This change was due to NECB's focus shifting from permanent to construction loans for multifamily buildings.

NECB operates four full-service branches in New York. Two are located in Manhattan, one is in the Bronx, and one is in Spring Valley (Rockland County). There are also two loan production offices, one located in New City (Rockland County) and the other in White Plains (Westchester County). Supplementing the banking offices is an automated teller machine ("ATM") network consisting of five machines: one at each branch location except for the Spring Valley branch, which has two (one inside the branch and one at the drive-up window). All of NECB's ATMs accept deposits.

There are no known financial or legal impediments that adversely impacted NECB's ability to meet the credit needs of its community.

Assessment Area

NECB's assessment area is comprised of the following eight counties: Bronx, Kings, New York, Orange, Queens, Richmond, Rockland, and Westchester.

There are 2,535 census tracts in the area, of which 350 are low-income, 677 are moderate-income, 727 are middle-income, and 711 are upper-income; 70 census tracts have no income indicated.

Assessment Area Census Tracts by Income Level							
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
New York	12	44	61	25	146	288	36.5
Orange	0	5	10	17	47	79	19.0
Queens	26	21	169	314	139	669	28.4
Richmond	3	3	11	33	61	111	12.6
Rockland	0	4	6	10	45	65	15.4
Westchester	6	5	28	55	129	223	14.8
Total	70	350	677	727	711	2,535	40.5

Demographic & Economic Data

The assessment area had a population of 9.8 million during the examination period. Approximately 12.1% of the population were over the age of 65 and 19.6% were under the age of sixteen.

Of the 2.2 million families in the assessment area, 28.8% were low-income, 16.3% were moderate-income, 16.4% were middle-income and 38.5% were upper-income. There were 3.6 million households in the assessment area, of which 16.6% had income below the poverty level and 3.8% were on public assistance.

The weighted average median family income in the assessment area was \$72,573.

There were 3.9 million housing units within the assessment area, of which 45.1% were one-to-four family units and 54.6% were multifamily units. A majority (59.5%) of the area's housing units were rental units, while 35% were owner-occupied units. Of the 1.4 million owner-occupied housing units, 19.3% were in LMI census tracts while 80.7% were in middle- and upper-income census tracts. The median age of the housing stock was 70 years, and the median home value in the assessment area was \$517,504.

There were 610,442 non-farm businesses in the assessment area. Of these, 85.7% reported revenues of \$1 million or less, 7.1% reported revenues of more than \$1 million, and 7.1% did not report their revenues. Of all the businesses in the assessment area, 96.8% were businesses with less than fifty employees while 91% operated from a single location. The largest industries in the area were services (49.7%), retail trade (15.1%), and finance, insurance and real estate (9.4%); 7.4% of businesses in the assessment area were not classified.

Per the New York State Department of Labor, the average unemployment rate for New York State in 2016 was 4.8%, which was lower than the average unemployment rates for Bronx, Kings, and Richmond counties, but higher than New York, Orange, Queens, Rockland, and Westchester counties. Rockland County and Westchester County consistently had the lowest unemployment rates during the evaluation period, while Bronx County had the highest rates. Overall, employment trends have improved as the economy has improved over the evaluation period.

Assessment Area Unemployment Rate									
Year	Statewide	Bronx	Kings	New York	Orange	Queens	Richmond	Rockland	Westchester
2014	6.3	9.8	7.6	6.1	5.5	6.4	7.5	5.1	5.1
2015	5.3	7.8	5.9	4.9	4.7	5.0	5.8	4.5	4.5
2016	4.8	7.1	5.3	4.5	4.3	4.5	5.2	4.2	4.2

Community Information

Examiners conducted community contact interviews with representatives of two community-based organizations located in NECB's assessment area.

Examiners met with the vice president of a community housing corporation, whose mission is to "improve the quality of life of in the community through housing, property management, economic development and the delivery of human services." The corporation was formed in 1974 and currently owns more than 35 buildings with more than a thousand housing units. It also has successfully constructed, renovated, and sponsored over 2,300 housing units. The contact noted small business lending as one of the most important credit needs of the area. While there are opportunities for financial institutions to participate in the credit needs of the community, the contact noted that they are not actively involved.

Examiners also met with the deputy director of a community-based organization that provides and preserves affordable housing, as well as provides various financial education programs for low- and moderate-income individuals and families. The contact noted that there is a need for low- or no-cost banking services and products, and the opportunity for local financial institutions to offer such products, as many of the larger banks do not offer no- or low-cost products and services.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated NECB under the intermediate small banking institution performance standards in accordance with 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 ratios 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. Community development 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. NECB submitted bank-specific information both as part of the examination process and on its Call Report submitted to the FDIC. 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 Department evaluated NECB's performance under the lending test in calendar years 2014, 2015, and 2016 and NECB's performance under the community development test from January 1, 2014 through June 30, 2017.

Examiners considered NECB's HMDA-reportable, small business, and construction loans in evaluating factors (1), (2), and (4) of the lending test noted above. In evaluating factor (3) of the lending test, examiners considered only small business loans.

DFS at the request of NECB also evaluated home mortgage loan Modification, Extension, and Consolidation Agreements ("MECAs"), which were included in small business data. In addition, examiners evaluated construction and land development lending as it represented a substantial portion by number and dollar value of NECB's lending activity.

Examiners gave greater weight to NECB's construction and land development lending in this evaluation, since it represented a substantial percentage by number of loans (48.4%) and dollar value (93%) of NECB's lending activity.

At its **prior** Performance Evaluation, as of December 31, 2013, DFS assigned NECB a rating of "1" reflecting an "Outstanding" record of helping to meet the credit needs of NECB's communities.

Current CRA Rating: "Satisfactory"

Lending Test: "Outstanding"

NECB's HMDA-reportable, small business, and construction and land development lending activities were excellent in light of NECB'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 Ratio and other Lending-Related Activities: "Outstanding"

NECB's average LTD ratio was excellent considering its size, business strategy, financial condition, and peer group activity.

NECB's average LTD ratio of 112.7% for the evaluation period significantly exceeded the peer group's average ratio of 87.3%. Furthermore, NECB's quarterly LTD ratios ranged from 111% to 117.6%, consistently exceeding its peer's quarterly ratios, which ranged from 83.4% to 89.4%.

The table below shows NECB's LTD ratios in comparison with the peer group's ratios for the 12 quarters since the prior evaluation.

Loan-to-Deposit Ratios													
	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	113.8	110.2	112.8	111.8	107.5	111.5	112.4	117.6	111.0	115.7	115.1	112.7	112.7
Peer	83.4	84.8	85.6	87.5	87.0	87.4	87.8	88.0	88.2	89.4	89.1	89.3	87.3

Assessment Area Concentration: “Outstanding”

During the evaluation period, NECB originated 98.2% by number and 97.9% by dollar value of its total HMDA-reportable, small business, and construction loans within its assessment area. This substantial majority of lending inside of the assessment area is an excellent concentration of lending.

HMDA-Reportable Loans

During the evaluation period, NECB originated 98.6% by number and 97.3% by dollar value of its HMDA-reportable loans within its assessment area. This substantial majority of lending in the assessment area reflects an excellent concentration of lending.

Small Business Loans

During the evaluation period, NECB originated 98.3% by number and 97.1% by dollar value of its small business loans within its assessment area. This substantial majority of lending in the assessment area reflects an excellent concentration of lending.

Construction and Land Development Loans

During the evaluation period, NECB originated 97.9% by both number and dollar value of its construction and land development loans within its assessment area. This substantial majority of lending in the assessment area reflects an excellent concentration of lending.

The following table shows the percentages of NECB's HMDA-reportable, small business, and construction and land development loans originated inside and outside of the 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
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2014	40	97.6%	1	2.4%	41	18,899	94.0%	1,200	6.0%	20,099
2015	18	100.0%	-	0.0%	18	15,128	100.0%	-	0.0%	15,128
2016	13	100.0%	-	0.0%	13	9,658	100.0%	-	0.0%	9,658
Subtotal	71	98.6%	1	1.4%	72	43,685	97.3%	1,200	2.7%	44,885
Small Business										
2014	80	97.6%	2	2.4%	82	83,097	95.7%	3,734	4.3%	86,831
2015	65	97.0%	2	3.0%	67	66,260	94.8%	3,638	5.2%	69,898
2016	89	100.0%	-	0.0%	89	94,055	100.0%	-	0.0%	94,055
Subtotal	234	98.3%	4	1.7%	238	243,412	97.1%	7,372	2.9%	250,784
Construction and Land Development										
2014	53	91.4%	5	8.6%	58	641,075	90.6%	66,586	9.4%	707,661
2015	65	98.5%	1	1.5%	66	1,092,534	98.6%	15,000	1.4%	1,107,534
2016	168	100.0%	-	0.0%	168	2,110,406	100.0%	-	0.0%	2,110,406
Subtotal	286	97.9%	6	2.1%	292	3,844,015	97.9%	81,586	2.1%	3,925,601
Grand Total	591	98.2%	11	1.8%	602	4,131,112	97.9%	90,158	2.1%	4,221,270

Distribution by Borrower Characteristics: “Satisfactory”

NECB’s lending among small businesses demonstrated a reasonable distribution of loans among businesses of different revenue sizes. This standard was evaluated solely on NECB’s small business performance.

Examiners did not evaluate this standard for NECB’s HMDA-reportable loans because the income for these loans was not available. NECB does not offer mortgage loans to consumers. NECB’s HMDA-reportable loans were originated for either multifamily or one-to-four family properties owned by corporate entities and held for investment purposes. The repayment of this type of loan is dependent on the rental income from the property; therefore, borrower income is not reported.

Examiners did not evaluate this standard for NECB’s construction and land development loans because borrower income for these loans was not available. NECB was not required to collect income for these types of loans because borrowers were mainly limited liability companies or other types of companies created primarily for the purpose of construction or land development.

Small Business Loans

NECB’s small business lending demonstrated a reasonable distribution of loans among businesses of different revenue sizes.

During the evaluation, NECB’s lending to businesses with revenues of \$1 million or less averaged 59.4% by number of loans and 51.2% by dollar value, which was higher than the aggregate’s average of 46.1% and 29.9%, respectively. While NECB exceeded the aggregate’s rates of lending every year of the evaluation period, both trailed the business demographics of the assessment area every year of the evaluation period.

The following table provides a summary of the distribution of NECB’s small business loans by the revenue size of the business.

Distribution of Small Business Lending by Revenue Size of Business									
2014									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	50	62.5%	42,814	51.5%	96,353	42.2%	1,999,360	31.0%	72.2%
Rev. > \$1MM	24	30.0%	35,735	43.0%					5.7%
Rev. Unknown	6	7.5%	4,548	5.5%					22.1%
Total	80		83,097		228,543		6,452,612		
2015									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	40	61.5%	43,240	65.3%	125,876	49.6%	1,947,193	29.4%	76.9%
Rev. > \$1MM	20	30.8%	18,630	28.1%					6.1%
Rev. Unknown	5	7.7%	4,390	6.6%					17.0%
Total	65		66,260		253,724		6,626,140		
2016									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	49	55.1%	38,638	41.1%	121,937	46.2%	2,210,572	29.5%	85.7%
Rev. > \$1MM	30	33.7%	39,811	42.3%					7.1%
Rev. Unknown	10	11.2%	15,606	16.6%					7.1%
Total	89		94,055		263,878		7,497,906		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	139	59.4%	124,692	51.2%	344,166	46.1%	6,157,125	29.9%	
Rev. > \$1MM	74	31.6%	94,176	38.7%					
Rev. Unknown	21	9.0%	24,544	10.1%					
Total	234		243,412		746,145		20,576,658		

Geographic Distribution of Loans: "Outstanding"

NECB's origination of loans in census tracts of varying income levels demonstrated an excellent distribution of lending.

HMDA-Reportable Loans

The distribution of NECB's HMDA-reportable loans among census tracts of different income levels was excellent.

During the evaluation period, NECB originated 66.2% (47) by number and 70.8% (\$31 million) by dollar value of HMDA-reportable loans in LMI geographies, well above the aggregate's 19.8% and 23.0%, respectively. Furthermore, NECB's rate of lending in low-income and in moderate-income census tracts significantly exceeded the aggregate's rate each year of the evaluation period. In 2015, NECB's rates of lending in LMI geographies more than tripled the aggregate's rate.

NECB's rates of lending in low-income and moderate-income census tracts also

significantly exceeded the percent of owner-occupied housing units in both low-income and moderate-income census tracts for each year of the evaluation period. The aggregate's rates of lending were comparable to the percent of owner-occupied housing units for each year.

The following table provides a summary of the distribution of NECB's HMDA-reportable loans by the income level of the geography where the property was located.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2014									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	12	30.0%	7,743	41.0%	2,942	4.5%	2,811,968	7.0%	3.3%
Moderate	11	27.5%	6,337	33.5%	10,175	15.5%	6,698,022	16.7%	16.0%
LMI	23	57.5%	14,080	74.5%	13,117	20.0%	9,509,990	23.7%	19.3%
Middle	4	10.0%	2,689	14.2%	17,192	26.3%	7,480,762	18.6%	30.6%
Upper	13	32.5%	2,130	11.3%	35,063	53.6%	23,053,674	57.4%	50.1%
Unknown	0	0.0%	0	0.0%	81	0.1%	92,233	0.2%	
Total	40		18,899		65,453		40,136,659		
2015									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	6	33.3%	3,788	25.0%	3,315	4.3%	2,911,880	6.1%	3.3%
Moderate	10	55.6%	7,865	52.0%	11,677	15.2%	7,872,190	16.4%	16.0%
LMI	16	88.9%	11,653	77.0%	14,992	19.5%	10,784,070	22.5%	19.3%
Middle	1	5.6%	3,200	21.2%	20,529	26.7%	9,156,074	19.1%	30.6%
Upper	1	5.6%	275	1.8%	41,267	53.7%	27,965,308	58.3%	50.1%
Unknown	0	0.0%	0	0.0%	42	0.1%	40,017	0.1%	
Total	18		15,128		76,830		47,945,469		
2016									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	7.7%	1,200	12.4%	3,638	4.4%	3,360,609	6.4%	3.3%
Moderate	7	53.8%	4,017	41.6%	12,412	15.1%	8,752,933	16.6%	16.0%
LMI	8	61.5%	5,217	54.0%	16,050	19.5%	12,113,542	23.0%	19.3%
Middle	0	0.0%	0	0.0%	22,103	26.8%	10,418,443	19.8%	30.6%
Upper	5	38.5%	4,441	46.0%	44,136	53.6%	30,054,560	57.1%	50.1%
Unknown	0	0.0%	0	0.0%	33	0.0%	57,069	0.1%	
Total	13		9,658		82,322		52,643,614		
GRAND TOTAL									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	19	26.8%	12,731	29.1%	9,895	4.4%	9,084,457	6.5%	
Moderate	28	39.4%	18,219	41.7%	34,264	15.3%	23,323,145	16.6%	
LMI	47	66.2%	30,950	70.8%	44,159	19.7%	32,407,602	23.0%	
Middle	5	7.0%	5,889	13.5%	59,824	26.6%	27,055,279	19.2%	
Upper	19	26.8%	6,846	15.7%	120,466	53.6%	81,073,542	57.6%	
Unknown	0	0.0%	0	0.0%	156	0.1%	189,319	0.1%	
Total	71		43,685		224,605		140,725,742		

Small Business Loans

The distribution of NECB's small business loans among census tracts of varying income levels was excellent.

During the evaluation period, NECB's average rates of lending were 44% by number and 39.4% by dollar value of small business loans, well above the aggregate's average rates of 30.3% and 25.7% respectively. Furthermore, NECB's annual rates of lending in LMI geographies outperformed the aggregate's rates each year of the evaluation period.

NECB's annual rates of lending in LMI geographies were also well above the assessment area's business demographics (percentage of small businesses located in LMI census tracts) for each year of the evaluation period, while the aggregate's rates were comparable to business demographics.

The following table provides a summary of the distribution of NECB's small business loans by the income level of the geography where the business was located.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2014									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	17	21.3%	13,867	16.7%	22,996	10.1%	542,307	8.4%	9.3%
Moderate	22	27.5%	15,242	18.3%	43,973	19.2%	1,115,429	17.3%	20.1%
LMI	39	48.8%	29,109	35.0%	66,969	29.3%	1,657,736	25.7%	29.3%
Middle	7	8.8%	11,415	13.7%	50,456	22.1%	1,314,159	20.4%	21.5%
Upper	34	42.5%	42,573	51.2%	105,061	46.0%	3,194,545	49.5%	46.6%
Unknown		0.0%		0.0%	6,057	2.7%	286,172	4.4%	2.6%
Total	80		83,097		228,543		6,452,612		
2015									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	13	20.0%	15,799	23.8%	27,422	10.8%	563,158	8.5%	9.3%
Moderate	18	27.7%	21,307	32.2%	51,972	20.5%	1,090,820	16.5%	20.1%
LMI	31	47.7%	37,106	56.0%	79,394	31.3%	1,653,978	25.0%	29.4%
Middle	10	15.4%	7,213	10.9%	56,859	22.4%	1,322,581	20.0%	21.7%
Upper	23	35.4%	21,191	32.0%	111,033	43.8%	3,339,868	50.4%	46.4%
Unknown	1	1.5%	750	1.1%	6,438	2.5%	309,713	4.7%	2.5%
Total	65		66,260		253,724		6,626,140		
2016									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	13	14.6%	15,117	16.1%	27,022	10.2%	687,124	9.2%	9.3%
Moderate	20	22.5%	14,545	15.5%	52,440	19.9%	1,285,811	17.1%	20.1%
LMI	33	37.1%	29,662	31.5%	79,462	30.1%	1,972,935	26.3%	29.4%
Middle	5	5.6%	2,209	2.3%	58,983	22.4%	1,496,118	20.0%	21.6%
Upper	50	56.2%	61,434	65.3%	118,764	45.0%	3,699,004	49.3%	46.5%
Unknown	1	1.1%	750	0.8%	6,669	2.5%	329,849	4.4%	2.6%
Total	89		94,055		263,878		7,497,906		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	43	18.4%	44,783	18.4%	77,440	10.4%	1,792,589	8.7%	
Moderate	60	25.6%	51,094	21.0%	148,385	19.9%	3,492,060	17.0%	
LMI	103	44.0%	95,877	39.4%	225,825	30.3%	5,284,649	25.7%	
Middle	22	9.4%	20,837	8.6%	166,298	22.3%	4,132,858	20.1%	
Upper	107	45.7%	125,198	51.4%	334,858	44.9%	10,233,417	49.7%	
Unknown	2	0.9%	1,500	0.6%	19,164	2.6%	925,734	4.5%	
Total	234		243,412		746,145		20,576,658		

Construction and Land Development Loans

The distribution of NECB's construction loans among census tracts of varying income levels was excellent. NECB's average rates of lending in LMI geographies were 65.7% by number and 65.8% by dollar value of construction and land development loans during the evaluation period. Its annual rates both by number and dollar value of loans exceeded the percentage of housing units within the assessment area each year of the evaluation period. NECB's highest annual rates of lending in LMI geographies of 75.6% by number and 77.3% by dollar value of loans were in 2016.

The following table provides a summary of the distribution of NECB's construction and land development loans by the income level of the geography where the building is being constructed and the land being developed is located.

Distribution of Construction Lending by Geographic Income of the Census Tract					
2014					
Geographic Income	Bank				Housing Units
	#	%	\$000's	%	%
Low	17	32.1%	184,254	28.7%	14.4%
Moderate	10	18.9%	169,475	26.4%	27.1%
LMI	27	50.9%	353,729	55.2%	41.5%
Middle	12	22.6%	133,430	20.8%	25.1%
Upper	14	26.4%	153,916	24.0%	33.5%
Unknown		0.0%		0.0%	0.0%
Total	53		641,075		
2015					
Geographic Income	Bank				Housing Units
	#	%	\$000's	%	%
Low	13	20.0%	232,933	21.3%	14.4%
Moderate	21	32.3%	380,899	34.9%	27.1%
LMI	34	52.3%	613,832	56.2%	41.5%
Middle	14	21.5%	188,345	17.2%	25.1%
Upper	17	26.2%	290,357	26.6%	33.5%
Unknown		0.0%		0.0%	0.0%
Total	65		1,092,534		
2016					
Geographic Income	Bank				Housing Units
	#	%	\$000's	%	%
Low	54	32.1%	660,852	31.3%	14.4%
Moderate	73	43.5%	970,328	46.0%	27.1%
LMI	127	75.6%	1,631,180	77.3%	41.5%
Middle	20	11.9%	208,786	9.9%	25.1%
Upper	21	12.5%	270,440	12.8%	33.5%
Unknown		0.0%		0.0%	0.0%
Total	168		2,110,406		
GRAND TOTAL					
Geographic Income	Bank				Housing Units
	#	%	\$000's	%	%
Low	84	29.4%	1,078,039	28.0%	
Moderate	104	36.4%	1,520,702	39.6%	
LMI	188	65.7%	2,598,741	67.6%	
Middle	46	16.1%	530,561	13.8%	
Upper	52	18.2%	714,713	18.6%	
Unknown		0.0%		0.0%	
Total	286		3,844,015		

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

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

Community Development Test: “Satisfactory”

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

During the evaluation period, NECB originated \$37.8 million in new community development loans and had no community development loans outstanding from prior evaluation periods. Also, during the evaluation period, NECB made \$4 million in new qualified investments, including \$15,005 in community development grants, and had no qualified investments outstanding from prior evaluation periods.

Community Development Lending: “Outstanding”

During the evaluation period, NECB originated \$37.8 million in loans that qualified for community development lending credit and had no community development loans outstanding from prior evaluation periods.¹ This demonstrated an excellent level of community development lending over the course of the evaluation period.

Community development loans represented 1.9% of annualized average total assets and consisted mainly of affordable housing projects, which totaled \$18.3 million (see table below) and made up 48.5% of NECB’s community development loans.

NECB’s community development loans also included financing of commercial buildings occupied by a range of small businesses including various professional and community

¹ Although DFS rated this criterion Outstanding based on NECB’s gross amount of community development lending, DFS examiners disqualified 17 loans that NECB submitted for community development lending credit. Pursuant to the Department’s Updated Final Guidelines for Banking Lending to Multifamily Properties Under the Community Reinvestment Act, issued December 4, 2014, DFS considers whether a multifamily loan submitted for affordable housing or neighborhood revitalization credit contributes to, and does not undermine, the availability of affordable housing or neighborhood conditions. DFS examiners disqualified 16 loans for approximately \$10.8 million that NECB submitted for CRA community development lending credit under the purpose of affordable housing due to lack of documentation (NECB failed to provide the rent roll at origination/refinance and the current rent roll). DFS examiners also disqualified one multifamily loan in the amount of \$550,000 because the property financed had an unacceptably high number of housing code violations, as reported by the New York City’s Department of Housing, Preservation and Development (“HPD”) and a high score (in excess of 900) in the University Neighborhood Housing Program’s Building Indicator Project (“BIP”) database. These sources indicated the property financed by the loan facilitated substandard living conditions, and therefore did not promote or provide affordable housing.

services. The majority of these loans helped to revitalize and stabilize LMI communities, while a number of loans provided economic development by providing jobs to LMI individuals. The table below notes the number and amount of community development loans by purpose.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	23	\$ 18,325		
Economic Development	2	\$ 700		
Community Services	3	\$ 2,225		
Revitalize/Stabilize	4	\$ 16,548		
Total	32	\$ 37,798	0	0

Below are more detailed descriptions of some of NECB's community development lending.

Affordable Housing

NECB originated \$18.3 million in qualified community development loans for the purpose of affordable housing. These loans were either to purchase or refinance multifamily properties that offered rents below the Housing and Urban Development's Fair Market Rent Guidelines, making them affordable for low- and moderate-income families and individuals.

Revitalize/Stabilize

In 2014, NECB extended two loans totaling \$5.5 million to acquire land and construct a six-story commercial building containing 21,343 square feet of commercial rental space. The property is in a low-income census tract in Brooklyn, Kings County. The borrower successfully pre-leased the building to six tenants including a social service agency that provides services to the residents of the community and a preschool contracted by child services. This loan will help to attract and retain businesses in the area.

Community Service

In 2015, NECB extended a \$1.8 million loan for a multifamily residence. The property will be rented to a nonprofit social service agency that provides affordable and supportive housing services, along with educational programs that help clients improve themselves. The agency operates as an emergency shelter and will sublease the units to its clients until it can assist them in securing permanent housing. The agency is expected to receive funding from the New York City Department of Homeless Services to provide the housing services at this location.

Economic Development

In 2016, NECB refinanced a \$400,000 term loan and a \$300,000 line-of-credit for a waste disposal company. The loans will help the company to continue to retain and create jobs for low- to moderate-income individuals.

Qualified Investments: “Satisfactory”

During the evaluation period, NECB made \$4 million in new community development investments and had no community development investments outstanding from prior evaluation periods. In addition, NECB made \$15,005 in community development grants. This demonstrated a reasonable 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	1	\$ 3,523		
Economic Development	2	\$ 498		
Community Services				
Revitalize & Stabilize				
Total	3	\$ 4,021	0	0
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	1	12		
Economic Development	1	\$ 0		
Community Services	5	\$ 3		
Total	6	\$ 15		

Below are more detailed descriptions of NECB’s community development investments and grants.

- NECB invested \$5 million in a CRA qualified investment fund of which \$3.5 million was earmarked for the New York assessment area. The fund is comprised of various CRA qualified securities. The investment is secured by multifamily affordable rental properties in Bronx County as well as New York City Housing Development Corporation (NYC HDC) municipal bonds. With the proceeds of the bonds, NYC HDC seeks to increase the supply of multifamily housing, stimulate economic growth, and revitalize neighborhoods.
- NECB made two investments of \$249,000 each (total \$498,000) via certificates of deposit in two minority owned financial institutions. The deposits helped to promote revitalization and stabilization, and economic development in low-and moderate-income communities.

Grants

- NECB contributed \$11,680 to the Federal Home Loan Bank of New York (“FHLBNY”), to assist in funding the FHLBNY’s Affordable Housing Program (“AHP”). Each year, the FHLBNY provides 10% of its earnings to support its AHP, which uses the money to create and preserve housing for low-income families and individuals.
- NECB donated \$3,000 to a nonprofit organization focused on providing housing and support for the homeless.

Community Development Services: “Satisfactory”

NECB demonstrated a reasonable level of community development services over the course of the evaluation period.

Below are highlights of NECB’s community development services:

- Two of NECB’s branch managers participated in a financial literacy program during the evaluation period. The program’s mission is to serve the hardest-to-employ and most at-risk individuals. These include the long-term unemployed, the formerly incarcerated, recovering addicts, public assistance recipients, veterans, the homeless, and the working poor.
- A member of NECB’s executive management is on the planning board of a town located in Rockland County. As a member of the planning board he reviews site plans, special use permits, buildings permits, housing developments, and other items to ensure a balance between commercial, industrial, and residential use.
- NECB charges the minimal amount of \$0.25 for returned check items and is ranked the second most affordable bank in New York City.
- NECB offers a “Fresh Start Checking” account with no minimum monthly balance requirement, a free ATM/Visa Debit Card, and a \$10 monthly service fee. The \$10 monthly fee is waived with “one direct deposit credited to the account during the monthly statement cycle.” The account is for consumers who have had difficulty managing their checking account in the past and have experienced overdrafts, insufficient funds, or other adverse actions. After the account is in good standing for twelve consecutive months, account holders may choose to convert to one of NECB’s regular checking accounts.
- NECB offers a “Free Checking” account with no minimum balance requirement or minimum deposit or per-check charges. The account features unlimited check writing privileges and ATM card capabilities.

Responsiveness to Community Development Needs

NECB demonstrated a reasonable level of responsiveness to credit and community development needs. NECB addressed the needs of its assessment area by offering several deposit and lending products and programs that target LMI individuals and geographies in the assessment area.

NECB's primary lending product during the evaluation period were construction loans, which accounted for 39.2% of NECB's total gross loans outstanding. A review of the construction loans originated during the evaluation period revealed that 65.7% were made in LMI geographies, of which many were located in the Bronx, Orange and Rockland counties. These loans helped to finance the construction of multifamily affordable housing in the assessment area and to redevelop and revitalize these LMI geographies.

Additional Factors

The extent of participation by the banking institution's Board of Directors or Board of Trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the CRA.

NECB's board of directors and senior management team oversee the bank's CRA program and approve the CRA policy annually. The board monitors CRA performance via the CRA committee. The board and senior management also attend an annual CRA and Fair Lending Seminar.

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 identify any practices by NECB intended to discourage applications for the types of credit offered by NECB.

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

DFS examiners did not find evidence that NECB engaged in prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

As of the evaluation date, NECB operated four full-service retail branches and two loan production offices in New York State. The table below shows NECB's branch locations by county and census tract income.

Distribution of Branches within the Assessment Area						
County	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Bronx	1				1	100%
New York				2	2	0%
Rockland				1	1	0%
Total	1	0	0	3	4	25%

NECB's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals.

NECB opened one branch in an upper-income census tract in Rockland County, during the evaluation period.

In March of 2015, NECB closed its Second Avenue Branch and moved its deposits to its First Avenue Branch. Both branches were located in Manhattan in upper-income census tracts. In December 2016, NECB relocated its First Avenue Branch located at 1470 First Avenue, just down the street to 1353-55 First Avenue in the same upper-income census tract.

NECB's branch hours are 9:00 AM to 4:00 PM Monday through Friday and 10:00AM to 1:00PM on Saturday, while the Spring Valley branch also offers Sunday hours from 10:00 AM to 1:00PM. All branch offices offer extended hours on Friday until 6:00 PM except for the Spring Valley branch, which is open until 5:00 PM.

All of NECB's branch offices offer onsite ATMs accessible 24 hours, seven days a week. All of these ATMs have the ability to take deposits. The Spring Valley branch also has an ATM at their drive through window. Of NECB's five ATMs, one is located in a low-income census tract, while the other four are located in upper-income census tracts.

NECB's delivery systems are readily accessible to significant portions of NECB's assessment area, particularly LMI geographies and individuals. In addition to branch offices and ATMs, NECB's delivery channels also include telephone banking, online banking and mobile banking.

NECB's debit card customers can also access, free of fees, any of the 55,000 ATMs at various retail locations through the Allpoint network.

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.

Although management reaches out to residents and business owners, NECB determined that it would not engage with local community groups that are active in the communities and neighborhoods within NECB's assessment area.

- *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*

NECB relies heavily on word of mouth marketing within the communities it serves, largely replacing conventional marketing and advertising. In addition, NECB's website provides information on NECB's various lending and deposit products as well as services offered for consumers and businesses..

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

As described above, NECB does not engage with local community groups to help ascertain the credit needs of its communities.

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.

Income level of individual or geography	% of the area median income
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.