



**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: March 31, 2018

Institution: Flushing Bank
220 RXR Plaza
Uniondale, NY 11556

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 Flushing Bank (“FB” or “the Bank”) 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 March 31, 2018.

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 institutions’ 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

DFS evaluated FB according to the large banking institution performance criteria pursuant to Sections 76.7, 76.8, 76.9 and 76.10 of the GRS. The assessment period included calendar years 2015, 2016, and 2017 for the lending test and the period from January 1, 2015 through March 31, 2018 for community development activities. FB is rated “**Outstanding**” or “1.” This rating means FB has an outstanding record of helping to meet community credit needs.

This rating is based on the following factors:

LENDING TEST: “Outstanding”

FB’s HMDA-reportable, small business, and CEMA lending activities were excellent in light of its size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area.

Lending Activity: “Outstanding”

FB’s lending activity was excellent considering its business strategy, financial condition, and peer group activity.

FB’s average loan-to-deposit (“LTD”) ratio for the evaluation period was 113.4%, well above the peer group’s ratio of 87.6%. The Bank’s quarterly average LTD ratios exceeded its peer group’s ratios each quarter of the evaluation period.

Assessment Area Concentration: “Outstanding”

During the evaluation period, FB originated 98.9% by number and 98.4% by dollar value of all its HMDA-reportable, small business, and CEMA loans in the assessment area. This substantial majority was an excellent concentration of lending in the assessment area.

Geographic Distribution of Loans: “Outstanding”

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

During the evaluation period, FB’s HMDA-reportable and small business loans in LMI census tracts significantly outperformed the aggregate and demographics. FB’s percentage of CEMA loans in LMI census tracts was comparable to the household demographics for the evaluation period.

Distribution by Borrower Characteristics: “High Satisfactory”

FB’s lending demonstrated a more than reasonable distribution of loans among borrowers of different income levels. Because the majority of FB’s HMDA and CEMA loans were

made to corporations or LLCs for investment purposes, borrower income was not available. Accordingly, the rating of this criterion relied solely on FB's small business lending performance. FB's annual rates of lending to small businesses with revenue of \$1 million or less exceeded the aggregate's rates by number and dollar value of loans for each year of the evaluation period.

Community Development Lending: "Outstanding"

During the evaluation period, FB originated \$413.1 million in new community development loans and had \$197.7 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

INVESTMENT TEST: "High Satisfactory"

FB's community development investments were more than reasonable considering the assessment area's credit needs.

Community Development Investments

During the evaluation period, FB made \$34.8 million in new community development investments and had \$33.8 million outstanding from prior evaluation periods. In addition, FB made 67 community development grants totaling \$452,110, a majority of which were made in 2016. This demonstrated a more than reasonable level of community development investments and grants over the course of the evaluation period.

Innovativeness of Community Development Investments

FB's did not use innovative investments to support community development, as all of the Bank's investments were mortgage-backed securities.

Responsiveness of Community Development Investments to Credit and Community Development Needs

FB's community development investments exhibited adequate responsiveness to the assessment area's credit and community development needs.

SERVICE TEST: "High Satisfactory"

Retail Banking Services: "High Satisfactory"

FB's branch network, delivery systems, branch hours, services, and alternative delivery systems were adequate to meet the needs of LMI individuals. The bank operates 18 full-service branches of which eight (44%) are in LMI census tracts. The Bank provides a broad array of alternative delivery systems, including internet, mobile, and telephone banking, online bill payment, mobile check deposits, bank-by-mail, and cash management services.

Community Development Services: “High Satisfactory”

FB provided a relatively high level of community development services.

Members of FB’s senior management and other Bank employees served on the boards and committees of organizations involved in affordable housing, economic development and community service initiatives. FB employees also participated in providing a number of financial education courses to various schools where the majority of students receive free or reduced price lunches.

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

FB is a New York State-chartered commercial bank headquartered in Uniondale, New York. The Bank was formed in 2013 through a merger of Flushing Savings Bank and Flushing Commercial Bank. It is a wholly owned subsidiary of Flushing Financial Corporation, a bank holding company.

FB operates 18 full-service branch offices and offers banking products for consumers, businesses, and public entities. Products and services include checking, savings, and certificate of deposit accounts, business lines of credit, SBA-guaranteed loans, and multifamily and mixed-use property mortgages. FB also offers residential 1-4 family, condominium, and co-op mortgage loans as well as retirement planning, tax-deferred investing, education planning, and estate planning services.

In its Consolidated Report of Condition (the "Call Report") as of December 31, 2017 filed with the Federal Deposit Insurance Corporation ("FDIC"), FB reported total assets of \$6.3 billion, of which \$5.2 billion were net loans and lease financing receivables. The Bank also reported total deposits of \$4.4 billion, resulting in an LTD ratio of 117.4%. According to the Deposit Market Share Report as of June 30, 2017, FB had a market share of 0.28%, or \$4.3 billion in a market of \$1.5 trillion, ranking it 32nd among 129 deposit-taking institutions in its assessment area.

The following table is a summary of FB's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2015, 2016, and 2017 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	12/31/2015		12/31/2016		12/31/2017	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	776,129	17.7	758,268	15.7	757,754	14.6
Commercial & Industrial Loans	345,944	7.9	403,047	8.3	516,897	10.0
Commercial Mortgage Loans	1,172,278	26.7	1,454,510	30.1	1,590,516	30.7
Multifamily Mortgages	2,063,842	47.0	2,187,927	45.2	2,282,439	44.1
Consumer Loans	246	0.0	192	0.0	235	0.0
Construction Loans	14,507	0.3	18,299	0.4	18,414	0.4
Other Loans	15,033	0.3	13,450	0.3	10,744	0.2
Total Gross Loans	4,387,979		4,835,693		5,176,999	

As illustrated in the above table, FB is primarily a business lender, with 84.8% of its gross loan portfolio as of December 31, 2017 comprised of various types of commercial loans, including 44.1% in multifamily mortgage loans, 30.7% in other commercial mortgage loans, and 10% in commercial and industrial loans.

During the evaluation period, commercial mortgage loans increased 104%, commercial and industrial loans increased 69%, and multifamily loans increased by 18%.

Examiners found no evidence of financial or legal impediments that had an adverse impact on FB's ability to meet the credit needs of its community).

Assessment Area

FB's assessment area is comprised of Bronx, Kings, Nassau, New York, Queens, Richmond, Suffolk, and Westchester counties. The Bank changed its assessment area since the prior evaluation period; Putnam and Rockland counties were no longer a part of FB's assessment area.

There were 2,997 census tracts in the assessment area, of which 367 were low-income, 736 were moderate-income, 1,027 were middle-income, 786 were upper-income, and 81 tracts had no income indicated. LMI census tracts comprised 36.8% of all census tracts in the Bank's assessment area.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	7	160	90	56	26	339	73.7
Kings	14	115	280	211	141	761	51.9
Nassau	9	7	28	159	81	284	12.3
New York	15	44	51	20	158	288	33.0
Queens	27	24	176	308	134	669	29.9
Richmond	3	4	11	36	56	110	13.6
Suffolk	1	6	68	192	56	323	22.9
Westchester	5	7	32	45	134	223	17.5
Total	81	367	736	1,027	786	2,997	36.8

The assessment area appears reasonable based upon the location of the bank's offices and its lending patterns. There is no evidence that FB has arbitrarily excluded LMI areas.

Demographic & Economic Data

The assessment area, as of 2017, had a population of 12,250,043. Approximately 13.6% of the population was over the age of 65 and 19.2% was under the age of 16. Of the 2,808,379 families in the assessment area, 28.1% were low-income, 16.2%

were moderate-income, 17.2% were middle-income, and 38.5% were upper-income. There were 4,389,890 households in the assessment area, of which 15.9% had income below the poverty level and 3.5% were on public assistance.

The weighted average median family income in the assessment area was \$85,421.

There were 4,829,707 housing units within the assessment area, of which 52.3% were one-to-four family units, and 47.4% were multifamily units. A majority (50.6)% of the area's housing units were rental units, while 40.3% were owner-occupied. Of the 1,947,712 owner-occupied housing units, 18.7% were in LMI census tracts while 81.3% 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 \$518,692,

There were 821,089 non-farm businesses in the assessment area. Of these, 86.3% were businesses with reported revenues of less than or equal to \$1 million, 6.9% reported revenues of more than \$1 million, and 6.8% did not report their revenues. Of all the businesses in the assessment area, 97.1% were businesses with less than fifty employees while 91.5% operated from a single location. The largest industries in the area were services (47.9%), followed by retail trade (14.9%), and finance, insurance and real estate (9.1%); 8.4% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State and all New York City counties in the assessment area steadily declined during the evaluation period. While the unemployment rates for Nassau, Suffolk, and Westchester counties declined from 2015 to 2016, they increased from 2016 to 2017. Nassau County continuously had the lowest annual unemployment rates during the evaluation period, while Bronx County continuously had the highest rates.

Assessment Area Unemployment Rate									
	Statewide	Kings	Queens	New York	Richmond	Bronx	Nassau	Suffolk	Westchester
2015	5.3%	5.9%	5.0%	4.9%	5.8%	7.8%	4.2%	4.7%	4.5%
2016	4.8%	5.3%	4.5%	4.5%	5.2%	7.1%	3.9%	4.4%	4.3%
2017	4.7%	4.6%	4.0%	4.0%	4.6%	6.2%	4.1%	4.5%	4.6%

Community Information

DFS examiners interviewed a representative from a local not-for-profit organization that partners with many other non-profits, community organizations, and financial institutions to improve the lives of LMI individuals on Long Island. The representative identified the following as credit and community development needs and/or concerns:

- A lack of financial literacy programs is often a barrier for LMI individuals to improve their economic positions;
- Small businesses require start-up assistance, especially in LMI neighborhoods, but frequently do not meet traditional standards of creditworthiness. Banks generally do not have programs in place to underwrite loans to such borrowers. Furthermore, non-financial assistance is also often scarce for small business owners;
- Commuting challenges resulting from the lack of public transportation options on Long Island often presented significant obstacles to individuals seeking to improve their economic positions;
- Barriers to home ownership include high housing prices and lack of adequate credit history, issues not addressed by many special loan programs;
- Lack of financial assistance for housing rehabilitation is a major concern for LMI communities in Long Island. The majority of homes on Long Island are owner-occupied; only a relatively small percentage are rented. This can make it difficult for LMI homeowners to adequately maintain their residences;
- The contact stated that many banks were helpful with CRA services if asked but that actual financial assistance was still lacking; and
- The contact mentioned that various banks, including FB, contribute to the “YouthBuild Long Island” program, which provides LMI young adults with hands-on training. FB was also noted as a major contributor to the “Project Warmth” program, which provides emergency funds in way of grants to struggling residents to pay their heating bills.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

DFS evaluated FB under the large banking institution performance standards in accordance with Sections 76.7, 76.8, 76.9, and 76.10 of the GRS, which consist of the lending, investment, and service tests. 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. 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.*

Finally, the evaluation considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which FB helps to meet the credit needs of its entire community.

DFS derived statistics employed in this evaluation from various sources. FB 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 obtained LTD ratios from information shown in the Bank's Uniform Bank Performance Report, compiled by the FFIEC, from Call Report data.

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

The evaluation period included calendar years 2015, 2016, and 2017 for the lending test, and January 1, 2015 through March 31, 2018 for community development activities.

Examiners considered FB's HMDA-reportable, small business, and Consolidation Extension and Modification Agreement ("CEMA") loans in evaluating factors (2), (3), and (4) of the lending test noted below.

FB's CEMA loans accounted for 38.8% by number and 67.5% by dollar value of all HMDA, small business, and CEMA loans originated by the Bank in the assessment area during the evaluation period. As a result, DFS gave slightly greater weight to CEMA loans in evaluating the factors in the lending test.

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

Current CRA Rating: “Outstanding”

LENDING TEST: “Outstanding”

The Bank’s lending performance was evaluated pursuant to the following criteria:

- (1) Lending Activity;*
- (2) Assessment Area Concentration;*
- (3) Geographic Distribution of Loans;*
- (4) Borrower Characteristics;*
- (5) Community Development Lending; and*
- (6) Flexible and/or Innovative Lending Practices.*

FB’s HMDA-reportable, small business, and CEMA loan activities were excellent in light of its size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area.

Lending Activity: “Outstanding”

FB’s lending activity was excellent considering its business strategy, financial condition, and peer group activity.

FB’s average LTD ratio for the evaluation period was 113.4%, well above the peer group’s ratio of 87.6%. The Bank’s quarterly average LTD ratios exceeded its peer group’s ratios each quarter of the evaluation period. FB’s average LTD ratio for the evaluation period was also an improvement from its prior evaluation period’s average LTD ratio of 104.2%.

The following table shows the Bank’s and its peer group’s LTD ratios for the 12 quarters of the evaluation.

Loan-To-Deposit													
	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	Avg.
Bank	109.9	108.3	112.0	112.0	108.9	118.5	116.6	114.1	111.9	118.4	113.1	117.4	113.4
Peer	84.4	86.0	86.1	87.6	87.3	88.7	87.9	88.7	87.7	88.9	88.7	89.4	87.6

Assessment Area Concentration: “Outstanding”

During the evaluation period, FB originated 98.9% by number and 98.4% by dollar value of its total HMDA-reportable, small business, and CEMA loans in the assessment area, an excellent concentration of lending in the assessment area.

HMDA-Reportable Loans

FB originated 99.8% by number and 99.9% by dollar value of its HMDA-reportable loans within the assessment area. The Bank originated only one of 429 HMDA-reportable loans outside the assessment area during the evaluation period.

CEMA Loans

FB originated 98.2% by number and 97.9% by dollar value of its CEMA loans within the assessment area during the evaluation period.

Small Business Loans

FB originated 99% by number and 98.7% by dollar value of its small business loans within the assessment area during the evaluation period. The Bank originated only four of 415 small business loans outside the assessment area during the evaluation period.

The following table shows the percentages of FB's HMDA-reportable, small business, and CEMA 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										
2015	169	100.0%	0	0.0%	169	110,463	100.0%	0	0.0%	110,463
2016	135	100.0%	0	0.0%	135	122,883	100.0%	0	0.0%	122,883
2017	124	99.2%	1	0.8%	125	69,661	99.4%	388	0.6%	70,049
Subtotal	428	99.8%	1	0.2%	429	303,007	99.9%	388	0.1%	303,395
CEMA										
2015	146	99.3%	1	0.7%	147	171,635	99.9%	170	0.1%	171,805
2016	193	97.5%	5	2.5%	198	418,571	96.6%	14,575	3.4%	433,146
2017	202	98.1%	4	1.9%	206	499,416	98.3%	8,475	1.7%	507,891
Subtotal	541	98.2%	10	1.8%	551	1,089,622	97.9%	23,220	2.1%	1,112,842
Small Business										
2015	145	98.6%	2	1.4%	147	62,561	98.5%	975	1.5%	63,536
2016	114	100.0%	0	0.0%	114	55,288	100.0%	0	0.0%	55,288
2017	152	98.7%	2	1.3%	154	73,185	97.8%	1,625	2.2%	74,810
Subtotal	411	99.0%	4	1.0%	415	191,034	98.7%	2,600	1.3%	193,634
Grand Total	1,380	98.9%	15	1.1%	1,395	1,583,663	98.4%	26,208	1.6%	1,609,871

Geographic Distribution of Loans: "Outstanding"

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

HMDA-Reportable Loans

The distribution of FB's HMDA-reportable loans by the income level of the geography was excellent, supported by its volume of HMDA-reportable multifamily lending in LMI geographies.

During the evaluation period, FB's lending rates in LMI census tracts of 56.3% by number and 62.2% by dollar value of HMDA-reportable loans were well above the aggregate's rates of 18.7% and 21.5%, respectively. FB's performance also compared favorably to owner-occupied housing demographics in LMI geographies.

The following table provides a summary of the distribution of FB'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									
2015									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	19	11.2%	12,525	11.3%	3,340	3.0%	2,936,935	4.7%	2.6%
Moderate	71	42.0%	47,364	42.9%	16,932	15.3%	9,564,264	15.4%	16.1%
LMI	90	53.3%	59,889	54.2%	20,272	18.3%	12,501,199	20.1%	18.7%
Middle	47	27.8%	23,692	21.4%	45,836	41.4%	18,719,329	30.1%	43.6%
Upper	32	18.9%	26,882	24.3%	44,499	40.2%	30,839,439	49.7%	37.7%
Unknown	0	0.0%	0	0.0%	43	0.0%	41,517	0.1%	0.0%
Total	169		110,463		110,650		62,101,484		
2016									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	26	19.3%	32,431	26.4%	3,672	3.1%	3,335,318	4.9%	2.6%
Moderate	49	36.3%	54,000	43.9%	18,616	15.5%	10,733,705	15.8%	16.1%
LMI	75	55.6%	86,431	70.3%	22,288	18.5%	14,069,023	20.7%	18.7%
Middle	35	25.9%	20,752	16.9%	50,785	42.2%	20,817,129	30.6%	43.6%
Upper	25	18.5%	15,700	12.8%	47,182	39.2%	33,179,307	48.7%	37.7%
Unknown	0	0.0%	0	0.0%	40	0.0%	59,624	0.1%	0.0%
Total	135		122,883		120,295		68,125,083		
2017									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	23	18.5%	12,532	18.0%	4,161	3.6%	3,774,282	5.6%	2.9%
Moderate	53	42.7%	29,664	42.6%	17,844	15.6%	12,111,760	17.9%	15.8%
LMI	76	61.3%	42,196	60.6%	22,005	19.3%	15,886,042	23.5%	18.7%
Middle	18	14.5%	7,752	11.1%	46,927	41.1%	19,193,538	28.4%	42.5%
Upper	29	23.4%	19,221	27.6%	45,149	39.5%	32,358,042	47.8%	38.7%
Unknown	1	0.8%	492	0.7%	175	0.2%	227,157	0.3%	0.1%
Total	124		69,661		114,256		67,664,779		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	68	15.9%	57,488	19.0%		3.2%		5.1%	
Moderate	173	40.4%	131,028	43.2%		15.5%		16.4%	
LMI	241	56.3%	188,516	62.2%	64,565	18.7%	42,456,264	21.5%	
Middle	100	23.4%	52,196	17.2%		41.6%		20.0%	
Upper	86	20.1%	61,803	20.4%		39.6%		32.4%	
Unknown	1	0.2%	492	0.2%		0.1%		0.1%	
Total	428		303,007		345,201		197,891,346		

CEMA Loans

The distribution of FB's CEMA loans by the income level of the geography where the borrower was located was excellent.

During the evaluation period, FB originated 57.5% by number and 50.9% by dollar value of its CEMA loans in LMI geographies. The Bank's annual lending rates in LMI geographies were well above the percentage of owner-occupied housing demographics of the assessment area for each year of the evaluation period. Aggregate data was not available for CEMA loans.

The following table provides a summary of the distribution of FB's CEMA loans by the income level of the geography where the borrower was located.

Distribution of CEMA by Geographic Income of the Census Tract					
2015					
Geographic Income	Bank				OO Hus
	#	%	\$000's	%	%
Low	27	18.1%	43,789	24.6%	2.6%
Moderate	56	37.6%	48,575	27.3%	16.1%
LMI	83	55.7%	92,364	51.8%	18.7%
Middle	46	30.9%	62,646	35.2%	43.6%
Upper	20	13.4%	23,170	13.0%	37.7%
Unknown	0	0.0%	0	0.0%	0.0%
Total	149		178,180		
2016					
Geographic Income	Bank				OO Hus
	#	%	\$000's	%	%
Low	31	16.1%	60,217	14.4%	2.6%
Moderate	86	44.6%	167,126	39.9%	16.1%
LMI	117	60.6%	227,343	54.3%	18.7%
Middle	43	22.3%	84,689	20.2%	43.6%
Upper	33	17.1%	106,539	25.5%	37.7%
Unknown	0	0.0%	0	0.0%	0.0%
Total	193		418,571		
2017					
Geographic Income	Bank				OO Hus
	#	%	\$000's	%	%
Low	39	19.3%	124,348	24.9%	2.9%
Moderate	74	36.6%	114,074	22.8%	15.8%
LMI	113	55.9%	238,422	47.7%	18.7%
Middle	45	22.3%	104,481	20.9%	42.5%
Upper	42	20.8%	148,023	29.6%	38.7%
Unknown	2	1.0%	8,490	1.7%	0.1%
Total	202		499,416		
GRAND TOTAL					
Geographic Income	Bank				OO Hus
	#	%	\$000's	%	%
Low	97	17.8%	228,354	20.8%	
Moderate	216	39.7%	329,775	30.1%	
LMI	313	57.5%	558,129	50.9%	
Middle	134	24.6%	251,816	23.0%	
Upper	95	17.5%	277,732	25.3%	
Unknown	2	0.4%	8,490	0.8%	
Total	544		1,096,167		

Small Business Loans

The distribution of FB's small business loans by the income level of the geography demonstrated an excellent distribution of lending.

During the evaluation period, FB originated 39.4% by number and 39.3% by dollar value of its small business loans in LMI census tracts, significantly outperforming the aggregate's rates of small business lending in LMI census tracts of 26.4% by number and 23.2% by dollar value of loans. FB's annual rates of lending in LMI geographies also

exceeded the percentage of small businesses (business demographics) located in LMI geographies.

The following table provides a summary of FB's small business lending based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2015									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	12	8.3%	4,024	6.4%	24,652	7.8%	543,200	6.2%	7.3%
Moderate	39	26.9%	16,970	27.1%	61,847	19.4%	1,446,246	16.5%	19.2%
LMI	51	35.2%	20,994	33.6%	86,499	27.2%	1,989,446	22.7%	26.5%
Middle	56	38.6%	23,447	37.5%	102,544	32.2%	2,767,565	31.6%	32.8%
Upper	38	26.2%	18,120	29.0%	122,583	38.5%	3,693,972	42.2%	38.8%
Unknown	0	0.0%	0	0.0%	6,447	2.0%	310,077	3.5%	1.9%
Total	145		62,561		318,073		8,761,060		
2016									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	12	10.5%	5,840	10.6%	24,884	7.4%	659,405	6.7%	7.2%
Moderate	43	37.7%	21,147	38.2%	63,222	18.9%	1,660,749	17.0%	19.1%
LMI	55	48.2%	26,987	48.8%	88,106	26.3%	2,320,154	23.7%	26.4%
Middle	37	32.5%	18,746	33.9%	108,737	32.4%	3,054,992	31.2%	32.7%
Upper	21	18.4%	9,055	16.4%	131,631	39.3%	4,069,929	41.6%	39.0%
Unknown	1	0.9%	500	0.9%	6,678	2.0%	330,932	3.4%	2.0%
Total	114		55,288		335,152		9,776,007		
2017									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	14	9.2%	8,309	11.4%	28,662	8.3%	747,421	7.2%	7.6%
Moderate	42	27.6%	18,794	25.7%	60,654	17.5%	1,646,307	15.9%	17.7%
LMI	56	36.8%	27,103	37.0%	89,316	25.8%	2,393,728	23.1%	25.3%
Middle	58	38.2%	25,106	34.3%	102,123	29.5%	2,910,254	28.1%	31.0%
Upper	35	23.0%	18,876	25.8%	148,859	43.1%	4,747,303	45.9%	41.8%
Unknown	3	2.0%	2,100	2.9%	5,458	1.6%	295,253	2.9%	1.9%
Total	152		73,185		345,756		10,346,538		
GRAND TOTAL									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	38	9.2%	18,173	9.5%		7.8%		6.8%	
Moderate	124	30.2%	56,911	29.8%		18.6%		16.5%	
LMI	162	39.4%	75,084	39.3%	263,921	26.4%	6,703,328	23.2%	
Middle	151	36.7%	67,299	35.2%		31.4%		30.2%	
Upper	94	22.9%	46,051	24.1%		40.3%		43.3%	
Unknown	4	1.0%	2,600	1.4%		1.9%		3.2%	
Total	411		191,034		998,981		28,883,605		

Distribution by Borrower Characteristics: “High Satisfactory”

FB’s lending demonstrated a more than reasonable distribution of loans among borrowers of different characteristics.

However, the majority of FB’s HMDA and CEMA loans, including multifamily loans, were made to corporations or LLCs for investment purposes. Since borrower income is not reported for these loan types, DFS did not perform an analysis of distribution by borrower characteristics for HMDA or CEMA loans. Accordingly, the rating of this criterion relied solely on FB’s small business lending performance.

Small Business Loans

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

During the evaluation period, FB originated 72% by number and 72.5% by dollar value of loans to small businesses with revenue of \$1 million or less, exceeding the aggregate’s 48.5% by number and 30.2% by dollar value of loans originated to these types of businesses. Additionally, FB’s annual rates of lending to small businesses with revenue of \$1 million or less exceeded the aggregate’s rates by number and dollar value of loans for each year of the evaluation period.

FB’s annual rates of lending for 2015 and 2016 were comparable to the percentage of small businesses with revenue of \$1 million or less located in the Bank’s assessment area, but declined somewhat in 2017 in relation to the business demographics. The following table provides a summary of the distribution of FB’s small business lending based on the income level of the geography.

Distribution of Small Business Lending by Revenue Size of Business									
2015									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	105	72.4%	48,022	76.8%	155,250	48.8%	2,505,352	28.6%	78.1%
Rev. > \$1MM	40	27.6%	14,539	23.2%					6.1%
Rev. Unknown	-	0.0%	0	0.0%					15.8%
Total	145		62,561		318,073		8,761,060		
2016									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	91	79.8%	46,140	83.5%	151,974	45.3%	2,734,863	28.0%	86.1%
Rev. > \$1MM	23	20.2%	9,148	16.5%					7.0%
Rev. Unknown	-	0.0%	0	0.0%					6.9%
Total	114		55,288		335,152		9,776,007		
2017									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	100	65.8%	44,348	60.6%	177,183	51.2%	3,495,457	33.8%	79.0%
Rev. > \$1MM	47	30.9%	25,750	35.2%					12.0%
Rev. Unknown	5	3.3%	3,087	4.2%					9.0%
Total	152		73,185		345,756		10,346,538		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	296	72.0%	138,510	72.5%	484,407	48.5%	8,735,672	30.2%	
Rev. > \$1MM	110	26.8%	49,437	25.9%					
Rev. Unknown	5	1.2%	3,087	1.6%					
Total	411		191,034		998,981		28,883,605		

Community Development Lending: "Outstanding"

During the evaluation period, FB originated \$413.1 million in new community development loans and had \$197.7 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

The level of new community development loans made during the current evaluation period (3.25 years) was comparable to the \$430.8 million made during the prior evaluation period (3.0 years).

The below table summarizes the Bank's community development loans by community development purpose.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	360	358,938	204	197,690
Economic Development				
Community Services	31	14,596		
Revitalization/Stabilization	17	39,550		
Total	408	413,084	204	197,690

Below is a description of FB's community development lending.

A substantial majority of FB's community development lending involved multifamily affordable housing properties and projects, providing affordable rental housing to LMI individuals and families throughout the five boroughs of New York City, and in particular, the boroughs of Brooklyn, Queens, and The Bronx, in that order.

Outstanding community development loans from prior evaluation period also primarily financed multifamily properties and projects, providing affordable housing to LMI and families in New York City.

Flexible and/or Innovative Lending Practices

FB offers the First Home Club program to first time homebuyers. The program offered through the Federal Home Loan Bank of New York assists applicants with their down payment and is targeted to LMI individuals and families with a household income at or below 80% of the median income of the area. The program provides a match of \$4 for every \$1 saved, up to a maximum grant of \$7,500.

FB partnered with the Excelsior Growth Fund to provide businesses with quick and easy access to small business loans under \$100,000. The Excelsior Growth Fund promotes economic development and job creation in New York State by providing business advisory services and streamlined access to small business loans.

FB has partnered with Fundation, a leading non-bank lender, to provide conventional terms loans and lines-of-credit of \$20,000 to \$100,000 for small businesses. Applications are available online for easy access.

INVESTMENT TEST: "High Satisfactory"

DFS evaluated FB's investment performance pursuant to the following criteria:

- (1) The dollar amount of qualified investments;*
- (2) The innovativeness or complexity of qualified investments; and*
- (3) The responsiveness of qualified investments to the credit and community*

development needs of the assessment area.

FB's qualified investments were more than reasonable in light of the assessment area's credit needs.

Community Development Investments: "High Satisfactory"

During the evaluation period, FB made \$34.8 million in new community development investments and had \$33.8 million outstanding from prior evaluation periods. In addition, FB made \$452,110 in community development grants. This demonstrated a more than reasonable level of community development investments and grants 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	10	34,787	4	26,665
Economic Development			3	7,109
Community Services				
Other (Please Specify)				
Total	10	34,787	7	33,774
	# of Grants	\$000	Not Applicable	
CD Grants				
Affordable Housing	8	106		
Economic Development	13	55		
Community Services	38	221		
Revitalization/Stabilization	8	70		
Total	67	452		

All of FB's community development investments made during the current evaluation period were mortgage-backed securities ("MBS") issued by FNMA and FHLMC. The MBSs were secured by one-to-four family mortgages to LMI borrowers.

Below are highlights of the Bank's community development grants.

- FB made three grants totaling \$55,000 to a community-based organization involved in the revitalization of underserved neighborhoods through affordable housing programs.
- FB provided three donations totaling \$53,000 to a nonprofit organization focused on initiatives that include affordable housing, health and wellness, open space, environmental remediation, and transportation in the borough of Queens.
- FB provided three donations totaling \$30,000 to a nonprofit affordable housing policy and advocacy organization whose mission is to advance city, state, and

federal policies and funding to support the development and preservation of affordable housing for all New Yorkers.

- FB made three donations totaling \$25,000 to an organization whose mission is to help disadvantaged New Yorkers gain access to equal opportunity in employment, education, financial, and technological literacy.

Innovativeness of Community Development Investments

FB did not use innovative investments to support community development.

Responsiveness of Community Development Investments to Credit and Community Development Needs

FB's community development investments exhibited adequate responsiveness to the assessment area's credit and community development needs.

SERVICE TEST: "High Satisfactory"

DFS evaluated FB's retail service performance pursuant to the following criteria:

- (1) The current distribution of the banking institution's branches;*
- (2) The institution's record of opening and closing branches;*
- (3) The availability and effectiveness of alternative systems for delivering retail services;*
and
- (4) The range of services provided.*

DFS evaluated FB's community development service performance pursuant to the following criteria:

- (1) The extent to which the banking institution provides community development services;*
and
- (2) The innovativeness and responsiveness of community development services.*

Retail Banking Services: "High Satisfactory"

FB has a more than reasonable branch network, delivery systems, branch hours and services, and alternative delivery systems, particularly as they relate to LMI individuals.

Retail banking services are reasonably accessible to essentially all segments of its assessment area, including LMI geographies.

Current distribution of the banking institution's branches

FB has a more than reasonable distribution of branches within its assessment area.

The Bank operates 18 full-service branches, of which eight (44%) are in LMI census tracts. FB’s branches are reasonably accessible to all portions of the institution’s assessment area.

The services, products, and business hours FB provides at branch offices do not vary in any way that inconveniences LMI geographies or individuals. Branch hours are 8:30am or 9:00am to 4:00pm or 6:00pm Monday through Friday. All branches offer either Saturday or Sunday hours, except for one branch located in an upper-income census tract and one in a middle-income census tract.

Distribution of Branches within the Assessment Area								
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %	LMI and Distressed or Underserved
Kings	0	2	2	0	1	5	80%	80%
Nassau	0	0	0	2	1	3	0%	0%
New York	0	0	0	0	2	2	0%	0%
Queens	0	3	1	3	1	8	50%	50%
Total	0	5	3	5	5	18	44%	44%

Record of opening and closing branches

FB’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems to LMI geographies or individuals.

FB opened five branches during the current evaluation period and closed four. Of the five new branches opened, two are in middle-income census tracts, and one each in an upper, moderate, and low-income census tract. The four branches closed were located in an upper, a middle, a moderate, and low-income census tract. FB opened a branch in its new corporate headquarters building at RXR Plaza in Uniondale, NY. While the census tract in which the branch is located is middle-income, many of the surrounding census tracts are moderate-income tracts.

Availability and effectiveness of alternative systems for delivering retail services

FB’s delivery systems are accessible to significant portions of the Bank’s assessment area, including LMI geographies and individuals.

FB provides a broad array of alternative delivery systems, including internet, mobile, and telephone banking, online bill payment, mobile check deposits, and bank-by-mail. The Bank also has two separate internet bank divisions “iGObanking.com” and “BankPurely.com”, which offer competitively priced deposit products to consumers nationwide, with the latter focused towards consumers with a heightened concern about environmental and social issues.

All of FB’s branches are supported by full-service automated teller machines (“ATMs”). In

addition, the Bank is a member of the Allpoint ATM network, which provides FB customers with surcharge-free access to 55,000 ATMs worldwide.

FB offers a “Bank at Work” program. The program allows employees of a participating business to open a new checking account with FB at the business location. The Bank opened 307 checking accounts to customers with home addresses in low- and moderate-income tracts through this program in 2017. .

Range of services provided

FB’s services meet the convenience and accessibility needs of its assessment area, including LMI geographies and individuals.

At its branches, the Bank offers deposit and loan products for individuals and businesses, as well as cash management, merchant services, and remote deposit capture for businesses.

Community Development Services: “High Satisfactory”

FB provided a relatively high level of community development services.

Members of FB’s senior management team and other Bank employees served on the boards and committees of organizations involved in affordable housing, economic development, and community service initiatives.

Below are highlights of FB’s community development services.

- Several members of FB’s senior management served on the loan and advisory committee of an organization whose mission is to assist, promote, and advance the business prosperity and economic welfare of New York State. The organization provides loans to small businesses including start-ups and mature businesses with an emphasis on minority and women-owned businesses.
- A FB employee served on the board of an organization established to promote economic development in LMI communities in The Bronx.
- A FB employee served as a board member of an organization that provides temporary and permanent housing, as well as supportive services to those in need on Long Island.
- FB staff members taught 29 courses to students at junior high schools and high schools where more than 50% of students qualified for free or reduced price lunches. The courses included “Understanding Credit”, “Setting Financial Goals”, “Money Smart for Young Adults”, and “Money Smart for Youths”.

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- FB staff also participated in a number of workshops and courses at community centers and other organizations in its assessment area. The workshops covered topics such as identity theft and retirement, and the courses included “Money Smart for Adults” and “Money Smart for Older Adults”.

Additional Factors

The following factors were also considered in assessing FB’s record of performance.

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.

FB’s Risk and Compliance Committee oversees the Bank’s CRA compliance. The CRA Officer performs a semi-annual CRA self-assessment. The assessment is provided to the committee for its review. FB’s internal audit function conducts periodic audits to assess the Bank’s compliance with CRA requirements, laws and regulations.

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 noted no practices by FB intended to discourage applications for the types of credit offered by FB.

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

DFS examiners noted no evidence of prohibited discriminatory or other illegal practices.

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*

Members of FB’s executive management team are members of boards or committees of various community organizations involved in affordable housing, economic development and community services. This helps the Bank ascertain the credit needs of small businesses operating and residents living within the Bank’s assessment area.

The Bank also established the Asian Advisory Board for Flushing Bank. The board meets quarterly to discuss the opportunities and challenges of entrepreneurship within the Asian community. The Advisory Board is comprised of business people from diverse industries including real estate, insurance, property management and brokerage. The Advisory Board helps to increase FB's links with the community and foster awareness of the Bank's role in the community.

- *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*

FB has mail and call programs to promote its products, especially business products, to businesses in its assessment area. FB also sponsors networking events for local businesses and advertises these events in local newspapers and industry publications.

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

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

DFS examiners noted no other factors.

GLOSSARY

Aggregate Lending

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 Metropolitan Statistical Area ("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 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 (NMTTC)

The New Markets Tax Credits (NMTTC) 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.