



**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: March 31, 2020

Institution: Hanover Community Bank
2131 Jericho Turnpike
Garden City Park, NY 11040

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 Hanover Community Bank (“HCB” 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, 2020.

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

The Department evaluated HCB according to the intermediate small banking institutions performance criteria pursuant to Sections 76.7 and 76.12 of the GRS. The evaluation period included calendar years 2018 and 2019 for the lending test, and the period July 1, 2017 through March 31, 2020 for the community development test. HCB is rated "2," indicating a "**Satisfactory**" record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: Satisfactory

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

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

The Bank's average LTD ratio of 117% for the evaluation period was well above its peer's average LTD ratio of 82.7%.

Assessment Area Concentration: Outstanding

During the evaluation period, HCB originated 94.7% by number and 95.8% by dollar value of its total HMDA-reportable loans within the assessment area, demonstrating an excellent concentration of lending.

Distribution by Borrower Characteristics: Needs to Improve

HCB's one-to-four family HMDA-reportable lending demonstrated a less than adequate distribution of loans among borrowers of different income levels.

The Bank's rates of lending to LMI borrowers of 7.4% by number and 4.7% by dollar value of loans was well below the aggregate's rates of 13.1% and 7%, respectively.

Geographic Distribution of Loans: Outstanding

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

The Bank's rates of lending in LMI census tracts exceeded the aggregate's rates each year of the evaluation period. Also, HCB's rates compared favorably to owner-occupied housing demographics in LMI geographies.

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

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

Community Development Test: Satisfactory

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

Community Development Lending: Outstanding

During the evaluation period, HCB originated \$33.6 million in new community development loans, and had no loans outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Qualified Investments: Needs to Improve

During the evaluation period, HCB made no qualified investments and had no outstanding from prior periods. The Bank did make qualified grants totaling \$67,121. This demonstrated a less than adequate level of community development investments over the course of the evaluation period.

Community Development Services: Satisfactory

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

The Bank's directors, senior management and employees serve on the boards of local community development organizations that provide economic development, affordable housing and community services. Bank employees also conducted first-time homebuyer and financial education seminars.

Responsiveness to Community Development Needs:

HCB demonstrated a reasonable level of responsiveness to credit and community development needs.

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

Established in 2009, HCB is a New York State-chartered commercial bank headquartered in Garden City Park, New York. The Bank is a wholly-owned subsidiary of Hanover Bancorp, Inc., a privately held stock bank holding company.

HCB operates seven banking offices including its main office in New York: two offices each in Nassau, New York, and Queens counties, and one office in Kings county. Supplementing the banking offices are four automated teller machines (“ATMs”), one each at its banking offices in Nassau and Queens counties. The Bank also is a member of the AllPoint network, providing the Bank’s customers with surcharge free access to approximately 55,000 ATMs nationwide.

HCB offers consumer and commercial products and services that include checking and saving accounts, certificates of deposit, personal loans, residential mortgage loans and lines of credit. Services include online and mobile banking, which allow for 24/7 access to online account balances and bill pay.

In its Consolidated Report of Condition (the “Call Report”) as of December 31, 2019, filed with the Federal Deposit Insurance Corporation (“FDIC”), HCB reported total assets of \$861.6 million, of which \$716.1 million were net loans and lease financing receivables. It also reported total deposits of \$670.5 million, resulting in a LTD ratio of 107%. According to the latest available comparative deposit data, as of June 30, 2019, HCB had a market share of 0.04%, or \$517.6 million in a market of \$1.4 trillion, ranking it 61st among 117 deposit-taking institutions in the assessment area.

The following is a summary of the Bank’s loan portfolio, based on Schedule RC-C of the Bank’s December 31, 2018 and 2019 Call Reports:

TOTAL GROSS LOANS OUTSTANDING				
Loan Type	2018		2019	
	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	386,175	68.2	478,843	66.2
Commercial & Industrial Loans	6,878	1.2	7,472	1.0
Commercial Mortgage Loans	46,196	8.2	104,951	14.5
Multifamily Mortgages	126,851	22.4	131,474	18.2
Consumer Loans	17	0.0	500	0.1
Other Loans		0.0	1	0.0
Total Gross Loans	566,117	100.0	723,241	100.0

As illustrated in the above table, HCB is primarily a residential real estate lender. As of December 31, 2019, 1-4 family residential mortgage loans represented 66.2% of

the Bank’s loan portfolio. At the prior evaluation, HCB was primarily a commercial lender, with 69.5% of total gross loans in multifamily and commercial mortgages. Since then, the Bank decided to change its lending focus to 1-4 family residential mortgage loans.

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

Assessment Area

HCB’s assessment area is comprised of New York, Queens, Kings, Bronx, Richmond and Nassau counties. New York County was added to the Bank’s assessment area in 2019 after HCB acquired Chinatown Federal Savings Bank.

There are 2,451 census tracts in the assessment area, of which 296 are low-income, 598 are moderate-income, 801 are middle-income, 681 are upper-income, and 75 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	7	140	99	60	33	339	70.5
Kings	14	95	260	230	162	761	46.6
Nassau	9	7	28	159	81	284	12.3
New York	15	34	57	21	161	288	31.6
Queens	27	16	146	303	177	669	24.2
Richmond	3	4	8	28	67	110	10.9
Total	75	296	598	801	681	2,451	36.5

Demographic & Economic Data

The assessment area had a population of 9,781,355 during the evaluation period. Approximately 13.2% of the population was over the age of 65 and 19% was under the age of 16.

Of the 2,303,187 families in the assessment area 30.5% were low-income, 16.3% were moderate-income, 16.6% were middle-income and 36.7% were upper-income. There were 3,554,175 households in the assessment area, of which 17.8% had income below the poverty level and 3.8% were on public assistance.

The weighted average median family income in the assessment area was \$78,236.

There were 3,889,481 housing units within the assessment area, of which 45.2% were one-to-four family units and 54.5% were multifamily units. A majority (56.8%) of the

housing units were rental units, 34.6% were owner-occupied, and 8.6% of housing units were vacant.

Of the 2,209,048 rental units, 51.5% were in LMI census tracts while 48.2% were in middle- and upper-income census tracts. Average monthly rent was \$1,351. Of the 1,345,127 owner-occupied housing units, 17.1% were in LMI census tracts while 82.7% were in middle- and upper-income census tracts. The median age of the housing stock was 78 years, and the median home value in the assessment area was \$532,360.

There were 765,587 non-farm businesses in the assessment area. Of these, 88.2% were businesses with reported revenues of less than or equal to \$1 million, 5.8% reported revenues of more than \$1 million and 6% did not report their revenues. Of all the businesses in the assessment area, 97.2% were businesses with less than fifty employees, while 92.6% operated from a single location. The largest industries in the area were services (42.8%), followed by retail (13.9%), and finance, insurance and real estate (9.1%); 17.9% 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 declined slightly during the evaluation period. The same happened in each county in the Bank’s assessment area. As of 2019, Bronx County had the highest unemployment rate, while Nassau County had the lowest.

Assessment Area Unemployment Rate							
	NYS	New York	Queens	Kings	Bronx	Richmond	Nassau
2018	4.1%	3.7%	3.7%	4.3%	5.8%	4.2%	3.5%
2019	4.0%	3.5%	3.5%	4.1%	5.4%	3.9%	3.4%
Average	4.1%	3.6%	3.6%	4.2%	5.6%	4.1%	3.5%

Community Information

Examiners conducted community contact interviews with representatives of two nonprofit organizations operating within the Bank’s assessment area. One organization provides food, shelter, clothing, and medical care for those in need. The other organization provides individuals and families with affordable housing.

The first interviewee stated that the population of those in need has doubled due to the pandemic. And although there has been an increase in donations and grants from various organizations, additional funding is needed to support continued operations. The representative also mentioned a need for financial literacy programs, as well as affordable housing to break the cycle of poverty and homelessness.

The second interviewee noted an increase in predatory landlord practices and tenant harassment in rent stabilized properties. The interviewee noted that increased funding

by financial institutions for community development projects to assist LMI communities in New York City, as well as addressing the lack of affordable housing in upper-income neighborhoods would be valuable contributions. The interviewee also identified credit building as another important community need. Financial institutions can participate by requesting their multifamily borrowers report rental payment history of their tenants to the appropriate credit reporting agencies.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated HCB under the intermediate small banking institution performance criteria 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 ratio and other lending-related activities;*
- 2. Assessment area concentration;*
- 3. Distribution of loans by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA.*

The community development test includes:

- 1. Community development lending;*
- 2. 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. HCB submitted bank-specific information both as part of the examination process and in 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 Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor.

The evaluation period included calendar years 2018 and 2019 for the lending test, and July 1, 2017 through March 31, 2020 for the community development test.

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

This is HCB's first evaluation under the intermediate small banking institution performance standards. At the prior evaluation, HCB was evaluated under the small banking institution performance standards.

At its prior Performance Evaluation, as of September 30, 2013, DFS assigned HCB a rating of "1," reflecting an "Outstanding" record of helping to meet the credit needs of HCB's communities.

Current CRA Rating: Satisfactory

Lending Test: Satisfactory

HCB's HMDA-reportable lending activities were reasonable in light of HCB'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.

LTD Ratio and other Lending-Related Activities: Outstanding

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

For the evaluation period, HCB's average LTD ratio of 117.1% was well above its peer average ratio of 82.7%.

The table below shows HCB's LTD ratios in comparison with the peer group's ratios for the eight quarters of the evaluation period.

Loan-to-Deposit Ratios									
	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	Avg.
Bank	120.7	122.4	118.4	119.4	121.8	117.9	109.5	106.8	117.1
Peer	81.7	82.8	83.2	83.1	82.2	83.2	82.9	82.4	82.7

Assessment Area Concentration: Outstanding

During the evaluation period, HCB originated 94.7% by number and 95.8% by dollar value of its total HMDA-reportable loans within the assessment area, demonstrating an excellent concentration of lending.

The following table shows the percentages of HCB's HMDA-reportable 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										
2018	468	92.7%	37	7.3%	505	251,777	93.6%	17,086	6.4%	268,863
2019	455	96.8%	15	3.2%	470	258,629	98.0%	5,313	2.0%	263,942
Grand Total	923	94.7%	52	5.3%	975	510,406	95.8%	22,399	4.2%	532,805

Distribution by Borrower Characteristics: Needs to Improve

HCB's one-to-four family HMDA-reportable lending demonstrated a less than adequate distribution of loans among borrowers of different income levels.

During the evaluation period, HCB made only four loans to low-income borrowers and 63 loans to moderate-income borrowers of a total of 901 loans. As a result, the Bank's average rates of lending to LMI borrowers of 7.4% by number and 4.7% by dollar value of loans was well below the aggregate's rates of 13.1% and 7%, respectively.

The Bank's lending rates to LMI borrowers trailed the aggregate's rates each year of the evaluation period, while the Bank's and the aggregate's lending rates were below the assessment area's LMI family demographics for each year of the evaluation period.

The following table provides a summary of the distribution of HCB's one-to-four family HMDA-reportable loans by borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2018									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	0.7%	1,274	0.5%	2,579	3.3%	652,625	2.0%	31.1%
Moderate	35	7.6%	11,469	4.8%	8,494	10.9%	2,044,540	6.4%	17.0%
LMI	38	8.3%	12,743	5.3%	11,073	14.3%	2,697,165	8.4%	48.1%
Middle	103	22.5%	40,271	16.8%	18,335	23.6%	5,631,865	17.6%	17.5%
Upper	227	49.6%	135,142	56.5%	44,170	56.9%	21,319,950	66.6%	34.3%
Unknown	90	19.7%	50,940	21.3%	4,010	5.2%	2,362,410	7.4%	0.0%
Total	458		239,096		77,588		32,011,390		
2019									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.2%	304	0.1%	2,714	2.7%	772,870	1.4%	30.5%
Moderate	28	6.3%	9,631	3.9%	9,407	9.5%	2,562,685	4.7%	16.3%
LMI	29	6.5%	9,935	4.0%	12,121	12.3%	3,335,555	6.1%	46.7%
Middle	97	21.9%	41,497	16.8%	20,574	20.8%	6,839,120	12.5%	16.6%
Upper	206	46.5%	126,830	51.5%	59,323	60.0%	38,600,855	70.6%	36.7%
Unknown	111	25.1%	68,116	27.6%	6,822	6.9%	5,930,020	10.8%	0.0%
Total	443		246,378		98,840		54,705,550		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	4	0.4%	1,578	0.3%	5,293	3.0%	1,425,495	1.6%	
Moderate	63	7.0%	21,100	4.3%	17,901	10.1%	4,607,225	5.3%	
LMI	67	7.4%	22,678	4.7%	23,194	13.1%	6,032,720	7.0%	
Middle	200	22.2%	81,768	16.8%	38,909	22.1%	12,470,985	14.4%	
Upper	433	48.1%	261,972	54.0%	103,493	58.7%	59,920,805	69.1%	
Unknown	201	22.3%	119,056	24.5%	10,832	6.1%	8,292,430	9.6%	
Total	901		485,474						

Geographic Distribution of Loans: Outstanding

HCB's origination of HMDA-reportable loans in census tracts of varying income levels demonstrated an excellent distribution of lending.

During the evaluation period, HCB's HMDA-reportable lending rates in LMI census tracts of 34.7% by number and 38.2% by dollar value of loans considerably outperformed the aggregate's rates of 19.9% and 22.6%, respectively. The Bank's lending rates in LMI census tracts exceeded the aggregate's rates each year of the evaluation period, as well as the assessment area's owner-occupied housing demographics in LMI geographies.

The following table provides a summary of the distribution of HCB'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									
2018									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	42	9.0%	29,416	11.7%	4,211	5.2%	4,798,285	10.4%	3.9%
Moderate	138	29.5%	81,968	32.6%	13,847	17.2%	10,940,175	23.8%	17.7%
LMI	180	38.5%	111,384	44.2%	18,058	22.5%	15,738,460	34.3%	21.5%
Middle	196	41.9%	89,643	35.6%	35,427	44.1%	15,307,225	33.3%	46.6%
Upper	92	19.7%	50,749	20.2%	26,816	33.4%	14,848,550	32.3%	31.9%
Unknown	0	0.0%	0	0.0%	83	0.1%	34,765	0.1%	0.1%
Total	468		251,777		80,384		45,929,000		
2019									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	25	5.5%	14,042	5.4%	4,027	3.9%	5,992,055,000	7.3%	2.9%
Moderate	115	25.3%	69,430	26.8%	14,348	14.0%	12,634,400,000	15.3%	14.1%
LMI	140	30.8%	83,471	32.3%	18,375	17.9%	18,626,455,000	22.6%	17.1%
Middle	187	41.1%	101,151	39.1%	38,772	37.8%	20,687,360,000	25.1%	39.9%
Upper	128	28.1%	74,007	28.6%	45,347	44.2%	42,580,495,000	51.7%	42.9%
Unknown	0	0.0%	0	0.0%	202	0.2%	460,080,000	0.6%	0.2%
Total	455		258,629		102,696		82,354,390,000		
GRAND TOTAL									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	67	7.3%	43,458	8.5%	8,238	4.5%	5,996,853,285	7.3%	
Moderate	253	27.4%	151,398	29.7%	28,195	15.4%	12,645,340,175	15.3%	
LMI	320	34.7%	194,856	38.2%	36,433	19.9%	18,642,193,460	22.6%	
Middle	383	41.5%	190,794	37.4%	74,199	40.5%	20,702,667,225	25.1%	
Upper	220	23.8%	124,756	24.4%	72,163	39.4%	42,595,343,550	51.7%	
Unknown	0	0.0%	0	0.0%	285	0.2%	460,114,765	0.6%	
Total	923		510,406						

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

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

Community Development Test: Satisfactory

HCB's community development performance demonstrated a reasonable responsiveness to the community development needs of its assessment area through community development loans, grants, and services, considering the Bank's capacity, and the need for and availability of opportunities for community development in its assessment area.

Community Development Lending: Outstanding

During the evaluation period, HCB originated \$33.6 million in new community development loans, and had no loans outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Most of HCB's community development loans were extended for multifamily properties that provided affordable housing to low- and moderate-income individuals and families within the Bank's assessment area, mainly in Bronx and Kings counties.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	29	32,925		
Economic Development				
Community Services	2	708		
Revitalization/Stabilization				
Total	31	33,633	0	0

Below are highlights of HCB's community development lending.

- HCB refinanced an existing \$3.9 million loan for a multifamily property consisting of 47 rental units. The subject property is located in a low-income census tract in Kings County, and the majority of the units were rented below the U.S. Department of Housing and Urban Development ("HUD") fair market rents for the area.
- HCB made a \$2.5 million loan for the purchase of a multifamily property that contains 19 rental units and two retail stores. The property is in a low-income census tract in Bronx County and provides affordable housing to LMI individuals and families.
- HCB originated a \$2.3 million loan for the purchase of a multifamily property located in a low-income census tract in Bronx County. All 25 residential units were rented below the HUD fair market rents for the area.
- HCB originated a \$2 million loan to finance the acquisition of two multifamily properties located in moderate-income census tracts in Kings County. One property contains six rental units and two retail stores, while the other property contains eight rental units. Thirteen of the properties' fourteen rental units are affordable housing.
- HCB extended a \$2 million loan for the purchase of a 20-unit multifamily property located in a moderate-income census tract in Kings County. All 20 units were rented below the HUD fair market rents for the area, providing affordable housing for LMI individuals and families.

Qualified Investments: Needs to Improve

During the evaluation period, HCB made no qualified investments and had none outstanding from prior evaluation periods. The Bank did make \$67,121 in qualified grants.

This demonstrated a less than adequate level of qualified investments over the course of the evaluation period.

HCB made qualified grants to various nonprofit organizations and foundations that, by dollar value, supported community services (77.2%), revitalization/stabilization (13.6%), and affordable housing (9.1%).

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing				
Economic Development				
Community Services				
Revitalize/Stabilize				
Total	0	0	0	0
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	2	6		
Economic Development				
Community Services	12	51		
Revitalize/Stabilize	1	9		
Total	15	67		

Below are highlights of HCB's community development grants:

- HCB donated a total of \$7,000 to a nonprofit organization that operates soup kitchens, emergency shelters, long-term housing and offers counseling, employment, and medical services to those who face life challenges such as hunger, homelessness, unemployment and poverty.
- HCB made grants totaling \$5,400 to a community development financial institution that provides affordable housing opportunities and housing related programs and services to LMI residents in Nassau County. These programs and services include down-payment assistance, first-time homebuyer counseling, and default and foreclosure prevention.

Community Development Services: Satisfactory

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

The Bank's directors, senior management and employees serve on the boards of various local community development organizations that provide economic development, affordable housing and community services to their communities. Bank employees also conducted first-time homebuyer seminars and financial education to students, seniors and small businesses.

Below are highlights of HCB's community development services:

- A director serves as a board and audit committee member of a local nonprofit organization whose mission is to develop affordable housing in Kings County. The organization manages the day-to-day operations of over 1,800 units of affordable housing and over 100,000 square feet of community and retail space. In addition, the organization provides a variety of programs and services that include home care and home delivered meals for seniors, after school and career preparation for the local youth, and homelessness prevention and rental assistance for low- and moderate-income households.
- A vice president serves on the programming committee of a chamber of commerce. The chamber supports small businesses by providing resources that include a workforce development program, the lending circle program, which helps entrepreneurs build credit, and an English language program.
- Two HCB officers served as instructors utilizing the FDIC's money smart program. The money smart financial education program helps individuals enhance their financial skills and knowledge, while creating positive banking relationships. The employees held seminars for students, small businesses and seniors.

Innovativeness of Community Development Investments:

HCB did not use innovative or flexible community development investments to support community development.

Responsiveness to Community Development Needs:

HCB demonstrated a reasonable level of responsiveness to credit and community development needs.

In addition to the Bank's community development loans and services being responsive to credit and community needs, HCB offers residential mortgage loan programs designed to meet the needs of low- and moderate-income individuals. The Bank's affordable housing loan program features a low-down payment, which helps provide access to mortgage financing for low- and moderate-income homebuyers. HCB also offers the State of New York Mortgage Agency's ("SONYMA") mortgage loan programs with competitive interest rates, low down payment requirements and down payment assistance.

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.

HCB's board of directors reviews and approves the Bank's CRA policy at least annually.

HCB's CRA and Fair Lending Management committee meets monthly to discuss the Bank's CRA performance, which includes community outreach, CRA and fair lending training, lending trends, marketing, advertising efforts, and community development activities. CRA-related discussions are documented and once approved by the members of the committee, the meeting minutes are provided to the board of directors for review.

Discrimination and other illegal practices

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

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

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

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

Record of opening and closing offices and providing services at offices

HCB operates seven full-service banking offices, of which three are located in low-income census tracts and one in a moderate-income census tract. The branches operating hours are 8:30 AM to 5:00 PM, Monday to Friday. Except for the Mineola branch and the 109 Bowery branch, all other branches (5) offer Saturday banking hours. HCB also offers 24-hour ATM access through its four cash dispensing and deposit taking ATMs, which are located at the branches in Nassau (2) and Queens (2) counties.

HCB did not close any branches during the evaluation period, and opened two new branches and acquired three branches as noted below:

- In 2017, the Bank opened a branch at 80 East Jericho Turnpike, Mineola in a middle-income census tract.
- In 2019, the Bank opened a branch at 138-29 39th Avenue, Flushing in a moderate-income census tract.
- In 2019, the Bank acquired three branches through the acquisition of Chinatown Federal Savings Bank. The branches are located at 109 Bowery and 172 Canal Street, New York and 5512 8th Avenue, Brooklyn, all in low-income census tracts.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Nassau				2		2	0%
Queens			1		1	2	50%
New York		2				2	100%
Kings		1				1	100%
Total		3	1	2	1	7	57%

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.

HCB ascertains the credit needs of its community through outreach to community groups and nonprofit organizations, as well as partnerships with various organizations and bank management and board members involvement in local civic organizations.

- 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.

HCB markets its products and services in local newspapers, at its branch locations, and community events, as well as through its partnerships and involvement with various organizations. HCB's products and services are also available on its website.

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

None.

GLOSSARY

Aggregate Lending

“Aggregate lending” means 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.

Banking Development District (“BDD”) Program

The BDD Program is a program designed to encourage the establishment of bank branches in areas across New York State where there is a demonstrated need for banking services, in recognition of the fact that banks can play an important role in promoting individual wealth, community development, and revitalization. Among others, the BDD Program seeks to reduce the number of unbanked and underbanked New Yorkers and enhance access to credit for consumers and small businesses. More information about the program, may be found at <https://www.dfs.ny.gov> and search for the BDD Program.

Community Development

“Community development” means:

- Affordable housing (including multifamily housing) for LMI individuals;
- Community services targeted to LMI individuals;
- 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;
- Activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved metropolitan middle-income geographies designated by the Board of Governors of the federal Reserve System, FDIC and the Office of Comptroller of the Currency; and
- Activities that seek to prevent defaults and/or foreclosures in loans included in the first and third bullet points above.

Community Development Loan

“Community development loan” means 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 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

“Community development service” means a 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.

Community Development Financial Institution (“CDFI”)

A CDFI is a financial institution that provides credit and financial services to underserved markets and populations and has a primary mission of community development, serves a target market, is a financing entity, provides development services, remains accountable to its community, and is a non-governmental entity. CDFIs are certified as such by United States Treasury Department’s CDFI Fund.

Geography

“Geography” means 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.

LMI Geographies

“LMI geographies” means those census tracts or block numbering areas where, according to the most current 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 Block Numbering Areas (“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

“LMI borrowers” means 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 Federal Financial Institutions Examination Council (“FFIEC”).

LMI Individuals/Persons

“LMI individuals” or “LMI persons” means 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 the FFIEC.

LMI Penetration Rate

“LMI penetration rate” means the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, if a bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers, the penetration rate would be 20%.

Low-Income Housing Tax Credit (“LIHTC”)

LIHTC were 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. The tax credits 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.

Minority Depository Institutions (“MDIs”)

An MDI is defined as a federal insured depository institution for which (1) 51 percent or more of the voting stock is owned by minority individuals; or (2) a majority of the board of directors is minority and the community that the institution serves is predominantly minority. For more of MDIs, go to FDIC.gov (Minority Depository Institutions Program) including list of MDIs.

New Markets Tax Credit (“NMTC”)

The NMTC Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits 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 CDFI Fund, an agency of the United States Department of the Treasury.

Qualified Investment

“Qualified investment” means 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.