



**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: September 30, 2020

Institution: PCSB Bank
2651 Strang Boulevard
Yorktown Heights, NY 10598-0712

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 PCSB Bank (“PCSB” 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 September 30, 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 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 PCSB according to the large banking institution performance criteria pursuant to Sections 76.7, 76.8, 76.9 and 76.10 of the GRS. The evaluation period included calendar years 2018 and 2019 for the lending test and the period from April 1, 2018 to September 30, 2020 for community development activities. PCSB is rated “2” indicating a “**Satisfactory**” record of helping to meet community credit needs.

This rating is based on the following factors:

LENDING TEST: High Satisfactory

PCSB's HMDA-reportable and small business lending activities were more than reasonable in light of PCSB's 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: Low Satisfactory

PCSB's lending levels were adequate considering its size, business strategy and financial condition, as well as the activity of its peer group and the demographic characteristics of its assessment area.

PCSB's average LTD ratio of 78.3% for the evaluation period was below the peer group's average ratio of 89.6%. However, the Bank's average ratio for the current evaluation period increased by approximately 12.6 percentage points from the average ratio of 65.7% reported at the prior evaluation.

Assessment Area Concentration: High Satisfactory

During the evaluation period, PCSB originated 86.5% by number and 70.3% by dollar value of its total HMDA-reportable and small business lending within the assessment area, demonstrating a more than reasonable concentration of lending. This overall level of lending within the assessment area consists of 82.1% by number and 60.6% by dollar value of its HMDA-reportable loans, and 93.5% by number and 89.4% by dollar value of its small business loans

Geographic Distribution of Loans: Low Satisfactory

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

The Bank's rates of HMDA-reportable loans in LMI census tracts were comparable to those of the aggregate, while its rates of small business lending in LMI census tracts exceeded those of the aggregate. PCSB's rates of HMDA-reportable lending by number of loans and by dollar value were both 6.6%, compared to the aggregate's rates of 6.0% and 6.9%, respectively. PCSB's rates of small business lending in LMI census tracts

were 12.4% by number of loans and 16.8% by dollar value, compared to the aggregate's rates of 12.0% and 12.6%, respectively.

Distribution by Borrower Characteristics: High Satisfactory

PCSB's HMDA-reportable and small business lending demonstrated a more than reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

The Bank's average rates of HMDA-reportable lending to LMI borrowers of 10.7% by number of loans and 6.2% by dollar value of loans were higher than the aggregate's rates of 9.3% and 3.9%, respectively, and its average rates of lending to small businesses were 60.2% by number of loans and 61.7% by dollar value of loans during the evaluation period, exceeding the aggregate's respective rates of 46.0% and 33.0%

Community Development Lending: High Satisfactory

During the evaluation period, PCSB originated \$26.2 million in new community development loans and had no outstanding loans from prior evaluation periods. This demonstrated a more than reasonable level of community development lending over the course of the evaluation period.

New community development loans made during the current evaluation period increased by \$12.5 million compared with the total of \$13.7 million noted at the prior evaluation

INVESTMENT TEST: High Satisfactory

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

Qualified Investments:

During the evaluation period, PCSB made \$6.1 million in new qualified investments and had \$5.7 million outstanding from prior evaluation periods. In addition, PCSB made \$106,045 in qualified grants. This demonstrated a more than reasonable level of qualified investments and grants over the course of the evaluation period.

Innovativeness of Qualified Investments:

PCSB did not use innovative qualified investments to support community development.

Responsiveness of Qualified Investments to Credit and Community Development Needs:

PCSB's qualified investments exhibited adequate responsiveness to the assessment area's credit and community development needs by supporting affordable housing initiatives.

SERVICE TEST: Low Satisfactory

Retail Banking Services: Low Satisfactory

PCSB has an adequate branch network, delivery systems, branch hours and services, and alternative delivery systems to meet the needs of LMI individuals.

Community Development Services: Low Satisfactory

PCSB provided an adequate level of community development services.

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

Chartered in 1871, PCSB (formerly Putnam County Savings Bank) is a commercial bank located in Yorktown Heights, New York. PCSB was founded as a mutual savings bank, converted to a stock form savings bank in April 2017 and converted to a New York chartered commercial bank in December 2018. The Bank is a wholly owned subsidiary of PCSB Financial Corporation, a publicly traded bank holding company.

PCSB, in turn, has two wholly owned subsidiaries: PCSB Funding Corp., a real estate investment corporation that holds residential mortgage loans and UpCounty Realty Corp., which holds properties acquired in foreclosure. These entities do not engage in lending or deposit gathering activities.

PCSB operates 15 banking offices, of which eight are located in Westchester County, three in Putnam County, three in Dutchess County, and one in Rockland County. Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of 15 ATMs with deposit taking capability, one at each of the branch offices.

PCSB offers various deposit and lending products, for retail and business consumers. Deposit products include checking, savings and money market accounts, certificates of deposit, and retirement accounts. Lending products include residential mortgage, home equity, and personal loans, as well as lines of credit, and small business and commercial mortgage loans. PCSB also offers online banking, bill pay, remote deposit capture, debit cards, overdraft protection, cash management, and merchant processing.

In its Consolidated Report of Condition (the Call Report) as of December 31, 2019, filed with the Federal Deposit Insurance Corporation (“FDIC”), PCSB reported total assets of \$1.6 billion, of which \$1.2 billion were net loans and lease financing receivables. It also reported total deposits of \$1.3 billion, resulting in a LTD ratio of 89.8%. According to the latest available comparative deposit data as of June 30, 2020, PCSB obtained a market share of 0.77%, or \$1.4 billion in a market of \$184 billion, ranking it 16th among 39 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 December 31, 2019 Call Reports:

TOTAL GROSS LOANS OUTSTANDING				
Loan Type	2018		2019	
	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	285,542	31.6	296,067	25.0
Commercial & Industrial Loans	49,015	5.4	73,832	6.2
Commercial Mortgage Loans	443,047	49.1	588,375	49.7
Multifamily Mortgages	92,672	10.3	187,968	15.9
Consumer Loans	239	0.0	414	0.0
Construction Loans	29,237	3.2	33,500	2.8
Obligations of States & Municipalities	3,031	0.3	2,555	0.2
Other Loans	376	0.0	222	0.0
Total Gross Loans	903,159		1,182,933	

As illustrated in the above table, PCSB is primarily a commercial lender with 55.9% of its total gross loans outstanding in commercial mortgages and commercial and industrial loans.

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

Assessment Area

PCSB's assessment area is comprised of all of Putnam and Westchester counties as well as parts of Dutchess and Rockland counties.

There are 293 census tracts in the Bank's assessment area, of which ten are low-income, 31 are moderate-income, 59 are middle-income, 186 are upper-income, and seven are tracts with no income indicated. While the number of census tracts remained unchanged since the prior evaluation, the percentage of LMI income tracts dropped to 14% from 16.7% at the prior evaluation period due to reclassification of geographic data. More specifically, the change in the number of LMI census tracts in the Bank's assessment area resulted from the reclassification of six census tracts in Westchester County and two census tracts in Dutchess County from moderate-income to middle-income. The number and distribution of low-income census tracts did not change since the prior evaluation.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Dutchess*	2	1	3	17	11	34	11.8
Putnam	0	0	0	0	19	19	0.0
Rockland*	0	2	2	2	11	17	23.5
Westchester	5	7	26	40	145	223	14.8
Total	7	10	31	59	186	293	14.0

* Partial county

Demographic & Economic Data

The assessment area had a population of 1.3 million during the evaluation period. Approximately 15% of the population was over the age of 65 and 20.2% was under the age of 16.

Of the 314,904 families in the assessment area, 16.3% were low-income, 12.5% were moderate-income, 14.8% were middle-income and 56.4% were upper-income. There were 445,321 households in the assessment area, of which 8.9% had income below the poverty level and 2.2% were on public assistance.

The weighted average median family income in the assessment area was \$116,742.

There were 482,944 housing units within the assessment area, of which 71.6% were one-to-four family units and 27.7% were multifamily units. A majority (59.7%) of the area's housing units were owner-occupied, while 35.1% were rental units.

Of the 288,335 owner-occupied housing units, 4.8% were in LMI census tracts while 95.2% were in middle- and upper-income census tracts. The median age of the housing stock was 64 years, and the median home value in the assessment area was \$464,338.

There were 106,825 non-farm businesses in the assessment area. Of these, 88.1% were businesses with reported revenues of less than or equal to \$1 million, 5.2% reported revenues of more than \$1 million and 6.7% did not report their revenues. Of all the businesses in the assessment area, 97.4% were businesses with less than fifty employees while 92.4% operated from a single location. The largest industries in the area were services (44.8%), followed by retail trade (12.3%) and finance, insurance, and real estate (8.8%); 13.9% 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 was higher than the unemployment rates for each of the four counties in PCSB's assessment area. Of the four counties in PCSB's assessment area, Westchester County had the highest unemployment rates in 2018 and 2019.

Assessment Area Unemployment Rate					
	Statewide	Dutchess	Putnam	Rockland	Westchester
2018	4.10	3.70	3.70	3.70	3.90
2019	4.00	3.60	3.70	3.60	3.80
Average of Years above	4.05	3.65	3.70	3.65	3.85

Community Information

DFS examiners contacted two nonprofit organizations active in PCSB's assessment area. The organizations' comments helped to identify potential credit needs and opportunities within the assessment area.

The first organization, located in Westchester County, promotes equal, affordable, and accessible housing opportunities for the county's residents. The organization's representative stated that while median income is high across Westchester County, there are identifiable LMI areas within the county and there is a large elderly population with fixed income.

The representative stated that demand for housing has increased as the COVID-19 pandemic induced many people to move from New York City to suburban areas. Additionally, low mortgage interest rates helped drive demand, and therefore drove home prices upwards as well. The representative noted that while some localities in Westchester County require developers to set aside portions of new developments for affordable housing, LMI individuals and those on fixed income still could not afford this housing, due to the overall very high-cost level in the county.

The representative stated that many bank home lending programs are not sufficient to help LMI individuals and elderly persons on fixed incomes due to the high cost of homes in the area. The representative stated that the most effective steps banks could take would be allow higher loan-to-value ratios for mortgage loans. The organization refers its clients to banks that have suitable programs, but also remarked that some of the larger banks in the area were not helpful.

The second nonprofit organization seeks to promote the economic vitality of Putnam County. The organization's representative stated that economic conditions in Putnam County had been steadily improving until the COVID-19 pandemic, which negatively affected local small businesses. The contact further stated that there are many opportunities for participation by local financial institutions including guidance for businesses to take advantage of COVID-19 resources such as Paycheck Protection Program ("PPP") and NY Forward Loans. The representative further identified other

opportunities including redevelopment and repurposing of existing buildings with mixed use, multifamily rentals and condominium projects for active adults over 55, transit oriented and pedestrian friendly developments.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated PCSB under the large banking 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 PCSB helps to meet the credit needs of its entire community.

DFS derived statistics employed in this evaluation from various sources. PCSB 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 Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and DFS used this information even where the institution's assessment area includes partial counties.

The evaluation period included calendar years 2018 and 2019 for lending activities and the period from April 1, 2018 to September 30, 2020 for community development activities.

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

HMDA-reportable and small business loan data evaluated in this performance evaluation represented actual originations.

At its prior Performance Evaluation, as of March 31, 2018, DFS assigned PCSB a rating of “2,” reflecting a “Satisfactory” record of helping to meet the credit needs of PCSB’s community.

Current CRA Rating: Satisfactory

LENDING TEST: High Satisfactory

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.*

PCSB’s HMDA-reportable and small business lending activities were more than reasonable in light of PCSB’s 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: Low Satisfactory

PCSB lending levels were adequate considering its size, business strategy and financial condition, as well as the activity of its peer group and the demographic characteristics of its assessment area.

PCSB’s average LTD ratio of 78.3% for the evaluation period was below the peer group’s average ratio of 89.6%. The Bank’s quarterly LTD ratios ranged from a low of 69% to a high of 89.8%, while the peer group’s ratio ranged from a low of 85.9% to a high of 94.9%. However, the Bank’s average ratio for the current evaluation period increased by approximately 12.6 percentage points from the average ratio of 65.7% reported at the prior evaluation.

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

Loan-to-Deposit Ratios									
	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	Avg.
Bank	75.2	72.2	72.6	69.0	73.4	84.1	89.8	89.8	78.26
Peer	94.2	94.6	94.9	86.9	85.9	87.0	86.7	86.6	89.60

Assessment Area Concentration: High Satisfactory

During the evaluation period, PCSB originated 86.5% by number and 70.3% by dollar value of its total HMDA-reportable and small business lending within the assessment area, demonstrating a more than reasonable concentration of lending.

PCSB's overall levels of lending within the assessment area noted at the current evaluation represent an improvement when compared to the prior evaluation. At that time, the Bank's levels were 80.5% by number of loans and 67.3% by dollar value.

HMDA-Reportable Loans:

During the evaluation period, PCSB originated 82.1% by number and 60.6% by dollar value of its HMDA-reportable loans within the assessment area. This majority of lending inside of its assessment area reflects an adequate concentration of lending. These levels represent a slight decline from the prior evaluation, at which time the Bank was noted to have made 86% by number and 67.6% by dollar value of its HMDA-reportable loans inside the assessment area.

Small Business Loans:

PCSB originated 93.5% by number and 89.4% by dollar value of its small business loans within the assessment area during the evaluation period. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending. These levels also represent a significant improvement from the prior evaluation, at which time the Bank was noted to have made 74% by number and 66.9% by dollar value of its small business loans inside the assessment area.

The following table shows the percentages of PCSB's HMDA-reportable and small business 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	121	79.6%	31	20.4%	152	33,867	63.5%	19,435	36.5%	53,302
2019	136	84.5%	25	15.5%	161	46,439	58.7%	32,670	41.3%	79,109
Subtotal	257	82.1%	56	17.9%	313	80,306	60.6%	52,105	39.4%	132,411
Small Business										
2018	86	97.7%	2	2.3%	88	27,739	95.0%	1,450	5.0%	29,189
2019	100	90.1%	11	9.9%	111	31,899	85.0%	5,611	15.0%	37,510
Subtotal	186	93.5%	13	6.5%	199	59,638	89.4%	7,061	10.6%	66,699
Grand Total	443	86.5%	69	13.5%	512	139,944	70.3%	59,166	29.7%	199,110

Geographic Distribution of Loans: Low Satisfactory

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

The Bank's rates of HMDA-reportable loans in LMI census tracts were comparable to those of the aggregate, while its rates of small business lending in LMI census tracts exceeded those of the aggregate.

HMDA-Reportable Loans:

The distribution of PCSB's HMDA-reportable loans by the income level of the geography was adequate.

PSCB's average rates of lending in LMI census tracts of 6.6% by number of loans and 6.6% by dollar value of loans were comparable with the aggregate's rates of 6.0% and 6.9%, respectively. Additionally, the Bank's average rates of lending exceeded the percentages of owner-occupied housing units in the assessment area in both years considered.

The following table provides a summary of the distribution of PCSB'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 Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.8%	604	1.8%	167	0.8%	96,325	1.0%	0.2%
Moderate	9	7.4%	2,444	7.2%	1,425	6.4%	662,795	7.1%	6.1%
LMI	10	8.3%	3,048	9.0%	1,592	7.2%	759,120	8.2%	6.3%
Middle	34	28.1%	7,009	20.7%	5,333	24.0%	1,749,355	18.9%	24.5%
Upper	77	63.6%	23,810	70.3%	15,285	68.8%	6,760,625	72.9%	69.1%
Unknown	0	0.0%	0	0.0%	7	0.0%	1,545	0.0%	0.0%
Total	121		33,867		22,217		9,270,645		
2019									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.7%	200	0.4%	126	0.5%	127,300	1.2%	0.2%
Moderate	6	4.4%	2,062	4.4%	1,070	4.4%	495,890	4.6%	4.6%
LMI	7	5.1%	2,262	4.9%	1,196	5.0%	623,190	5.8%	4.8%
Middle	15	11.0%	3,803	8.2%	3,872	16.1%	1,157,050	10.8%	16.0%
Upper	114	83.8%	40,374	86.9%	19,002	78.9%	8,973,220	83.4%	79.2%
Unknown	0	0.0%		0.0%	10	0.0%	1,930	0.0%	0.0%
Total	136		46,439		24,080		10,755,390		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	0.8%	804	1.0%	293	0.6%	223,625	1.1%	
Moderate	15	5.8%	4,506	5.6%	2,495	5.4%	1,158,685	5.8%	
LMI	17	6.6%	5,310	6.6%	2,788	6.0%	1,382,310	6.9%	
Middle	49	19.1%	10,812	13.5%	9,205	19.9%	2,906,405	14.5%	
Upper	191	74.3%	64,184	79.9%	34,287	74.1%	15,733,845	78.6%	
Unknown	-	0.0%	-	0.0%	17	0.0%	3,475	0.0%	
Total	257		80,306		46,297		20,026,035		

Small Business Loans:

The distribution of PCSB's small business loans among census tracts of varying income levels was more than reasonable.

PCSB's average rates of lending in LMI census tracts were 12.4% by number of loans and 16.8% by dollar value of loans, higher than the aggregate's rates of 12.0% and 12.6% respectively. While the Bank's rates of lending in low-income census tracts were below the aggregate's rates in 2018 and 2019, it outperformed the aggregate in lending in moderate-income census tracts for both years. In addition, the Bank's average rates of lending exceeded the percentage of small businesses in the assessment area.

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

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2018									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	1.2%	604	2.2%	1,296	3.3%	26,579	2.4%	1.7%
Moderate	11	12.8%	4,419	15.9%	3,649	9.4%	125,100	11.1%	10.4%
LMI	12	14.0%	5,023	18.1%	4,945	12.7%	151,679	13.5%	12.1%
Middle	12	14.0%	4,729	17.0%	8,313	21.3%	265,299	23.6%	22.2%
Upper	62	72.1%	17,987	64.8%	25,727	66.0%	708,042	62.9%	65.7%
Unknown		0.0%		0.0%	11	0.0%	742	0.1%	0.0%
Total	86		27,739		38,996		1,125,762		
2019									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	1,453	3.4%	27,765	2.5%	1.7%
Moderate	11	11.0%	4,997	15.7%	3,339	7.9%	104,972	9.3%	8.5%
LMI	11	11.0%	4,997	15.7%	4,792	11.4%	132,737	11.8%	10.2%
Middle	14	14.0%	5,075	15.9%	6,803	16.1%	205,844	18.3%	16.7%
Upper	75	75.0%	21,827	68.4%	30,583	72.5%	784,826	69.8%	73.1%
Unknown	0	0.0%	0	0.0%	16	0.0%	640	0.1%	0.1%
Total	100		31,899		42,194		1,124,047		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.5%	604	1.0%	2,749	3.4%	54,344	2.4%	
Moderate	22	11.8%	9,416	15.8%	6,988	8.6%	230,072	10.2%	
LMI	23	12.4%	10,020	16.8%	9,737	12.0%	284,416	12.6%	
Middle	26	14.0%	9,804	16.4%	15,116	18.6%	471,143	20.9%	
Upper	137	73.7%	39,814	66.8%	56,310	69.4%	1,492,868	66.4%	
Unknown	-	0.0%	-	0.0%	27	0.0%	1,382	0.1%	
Total	186		59,638		81,190		2,249,809		

Distribution by Borrower Characteristics: High Satisfactory

PSCB's HMDA-reportable and small business lending demonstrated a more than reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

One-to-Four Family HMDA-Reportable Loans:

PSCB's one-to-four family HMDA-reportable lending demonstrated a more than reasonable distribution of loans among individuals of different income levels.

PSCB's average rates of lending to LMI borrowers of 10.7% by number of loans and 6.2% by dollar value of loans were higher than the aggregate's rates of 9.3% and 3.9%, respectively. While the Bank's rates of lending to low-income borrowers were below the aggregate's rates, PSCB outperformed the aggregate in lending to moderate-income borrowers in both years of the evaluation period. The average rates of lending to LMI borrowers for both PSCB and the aggregate were lower than the percentage of LMI

families in the assessment area.

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

Distribution of 1-4 Family Loans by Borrower Income									
2018									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.9%	100	0.4%	499	2.3%	78,275	1.0%	16.3%
Moderate	11	9.6%	1,459	5.1%	1,780	8.1%	286,260	3.6%	12.5%
LMI	12	10.5%	1,559	5.5%	2,279	10.4%	364,535	4.6%	28.8%
Middle	12	10.5%	1,889	6.6%	3,714	16.9%	805,710	10.1%	14.8%
Upper	81	71.1%	22,915	80.4%	15,243	69.3%	6,415,085	80.4%	56.4%
Unknown	9	7.9%	2,133	7.5%	744	3.4%	388,970	4.9%	0.0%
Total	114		28,496		21,980		7,974,300		
2019									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	408	1.7%	74,510	0.8%	16.3%
Moderate	14	10.8%	2,625	6.8%	1,581	6.6%	260,465	2.6%	12.5%
LMI	14	10.8%	2,625	6.8%	1,989	8.3%	334,975	3.4%	28.8%
Middle	17	13.1%	3,150	8.2%	3,840	16.1%	886,030	9.0%	14.8%
Upper	87	66.9%	28,190	73.0%	17,038	71.3%	8,109,860	82.3%	56.4%
Unknown	12	9.2%	4,635	12.0%	1,015	4.3%	523,825	5.3%	0.0%
Total	130		38,600		23,882		9,854,690		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.4%	100	0.1%	907	2.0%	152,785	0.9%	
Moderate	25	10.2%	4,084	6.1%	3,361	7.3%	546,725	3.1%	
LMI	26	10.7%	4,184	6.2%	4,268	9.3%	699,510	3.9%	
Middle	29	11.9%	5,039	7.5%	7,554	16.5%	1,691,740	9.5%	
Upper	168	68.9%	51,105	76.2%	32,281	70.4%	14,524,945	81.5%	
Unknown	21	8.6%	6,768	10.1%	1,759	3.8%	912,795	5.1%	
Total	244		67,096		45,862		17,828,990		

Small Business Loans:

PCSB's small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes.

During the evaluation period, PCSB's average rates of lending to small businesses, with gross annual revenue of \$1 million or less, were 60.2% by number of loans and 61.7% by dollar value of loans during the evaluation period, exceeding the aggregate's respective rates of 46.0% and 33.0%. However, PCSB's average rates of the lending were below the percentages of small businesses in the assessment area.

The following table provides a summary of the distribution of PCSB's small business loans

by the revenue size of the business.

Distribution of Small Business Lending by Revenue Size of Business									
2018									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	50	58.1%	15,092	54.4%	17,426	44.7%	377,448	33.5%	86.9%
Rev. > \$1MM	35	40.7%	11,947	43.1%					5.9%
Rev. Unknown	1	1.2%	700	2.5%					7.2%
Total	86		27,739		38,996		1,125,762		
2019									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	62	62.0%	21,719	68.1%	19,927	47.2%	365,595	32.5%	88.1%
Rev. > \$1MM	38	38.0%	10,180	31.9%					5.2%
Rev. Unknown		0.0%		0.0%					6.7%
Total	100		31,899		42,194		1,124,047		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	112	60.2%	36,811	61.7%	37,353	46.0%	743,043	33.0%	
Rev. > \$1MM	73	39.2%	22,127	37.1%					
Rev. Unknown	1	0.5%	700	1.2%					
Total	186		59,638		81,190		2,249,809		

Community Development Lending: High Satisfactory

During the evaluation period, PCSB originated \$26.2 million in new community development loans and had no outstanding loans from prior evaluation periods. This demonstrated a more than reasonable level of community development lending over the course of the evaluation period.

New community development loans made during the current evaluation period increased by \$12.5 million compared with the total of \$13.7 million noted at the prior evaluation.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	4	6,992	0	0
Economic Development	3	4,587		
Community Services	1	6,651		
Revitalize Stabilize	1	7,970		
Total	9	26,200	0	0

Below are highlights of PCSB's community development lending.

- PCSB originated four CRA-qualified Paycheck Protection Program (“PPP”) loans totaling \$12.6 million. The loans provided economic relief to small businesses impacted by the COVID-19 pandemic.
- PCSB originated a \$4 million mortgage loan to purchase a 37-unit, rent stabilized multifamily property located in Westchester County. The financing provided affordable housing to LMI individuals and families.
- PCSB refinanced a \$1.1 million mortgage loan secured by multifamily rental buildings with 14 units located in Putnam County. All units are below the HUD fair market rents, providing affordable housing for LMI individuals and families in the area.

Flexible and/or Innovative Lending Practices:

PCSB made significant use of flexible or innovative lending practices.

PCSB's True Community Mortgage Program (“TCMP”) is designed specifically to meet the needs of LMI individuals and geographies within its assessment area. Applicants for credit under this program must either be LMI individuals themselves, or the property securing the loan must be in an LMI census tract. Through this program, PCSB absorbs the cost of mortgage insurance or gives a 50 basis point interest rate reduction. Additionally, TCMP loans have no application fee and offer a credit of half a point at closing. Through the TCMP program, the Bank made nine loans totaling \$1,653,956 during the evaluation period.

PCSB is also a participating State of New York Mortgage Agency (“SONYMA”) lender. SONYMA is a New York State public-benefit corporation created to provide financing opportunities for first time LMI borrowers in New York State through its low-interest mortgage loan programs and its down payment assistance loans. PCSB originated three SONYMA loans totaling \$415,000.

The Bank also participated in the PPP program.

INVESTMENT TEST: High Satisfactory

The Department evaluated PCSB'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.*

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

Qualified Investments: High Satisfactory

During the evaluation period, PCSB made \$6.1 million in new qualified investments and had \$5.7 million outstanding from prior evaluation periods. In addition, PCSB made \$106,045 in qualified grants. This demonstrated a more than reasonable level of qualified investments and grants over the course of the evaluation period.

Qualified Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	7	6,097	3	5,700
Economic Development				
Community Services				
Other				
Total	7	6,097	3	5,700
	# of Grants	\$000	Not Applicable	
CD Grants				
Affordable Housing	4	43		
Economic Development				
Community Services	10	63		
Other				
Total	14	106		

Below are highlights of PCSB's qualified investments and grants.

- PCSB purchased seven CRA-qualified mortgage-backed securities totaling \$6 million during the current evaluation period and had three investments of \$5.7 million

outstanding from the prior evaluation periods. These securities, issued by the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association, invest in mortgage loan pools secured by loans to LMI borrowers throughout the Bank's assessment area.

- PCSB donated \$42,730 to four nonprofit organizations that provide affordable housing support to LMI individuals and families in Putnam and Westchester counties.
- PCSB donated \$39,000 to six nonprofit organizations that provide free and healthy meals to LMI individuals and families within the Bank's assessment area.
- PCSB donated \$5,000 to a nonprofit organization that provides educational services to high school students from low-income families in Yonkers (Westchester County), New York.

Innovativeness of Qualified Investments:

PCSB did not use innovative investments to support community development.

Responsiveness of Community Development Investments to Credit and Community Development Needs:

PCSB's qualified investments exhibited adequate responsiveness to the assessment area's credit and community development needs. Qualified investments consisted of mortgage-backed securities that supported affordable housing for LMI individuals and families.

SERVICE TEST: Low Satisfactory

The Department evaluated PCSB'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.*

The Department evaluated PCSB'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: Low Satisfactory

PCSB has an adequate branch network, delivery systems, branch hours and services, and alternative delivery systems to meet the needs of LMI individuals.

Current distribution of the banking institution's branches:

PCSB has an adequate distribution of branches within its assessment area.

One of fifteen branches is in a low-income census tract. PCSB's branch representation in LMI tracts decreased from two branches at the prior evaluation due to updates of geographic data in its assessment area during the evaluation period. As part of these adjustments, the income level of the census tract where the Pawling Village branch is located changed from moderate to middle-income.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Dutchess*				2	1	3	0%
Putnam					3	3	0%
Rockland*					1	1	0%
Westchester		1		1	6	8	13%
Total		1		3	11	15	7%

*Partial County

Record of opening and closing branches:

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

PCSB did not open or close any branches during the evaluation period. In 2019, PCSB relocated its Yorktown Heights branch from 331 Downing Drive to 2002 Commerce Street. Both locations are in the same upper-income census tract and the distance between the two locations is less than one mile.

Availability and effectiveness of alternative systems for delivering retail services:

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

PCSB offers telephone banking, banking by mail, mobile banking, and online banking via its website. All of these services are available to all customers within the Bank's assessment area.

All of PCSB's branch offices have an ATM on-site, and all ATMs are capable of taking deposits. PCSB also offers online and mobile banking, including mobile check deposit.

Range of services provided:

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

PCSB's 15 banking offices offer lobby hours from 9:00 AM to 4:00 PM Monday through Friday. All branches offer Saturday banking hours from 9:00 AM to 1:00 PM. PCSB also offers drive-up services at ten of its banking offices from 8:30 AM to 5:00 PM during weekdays and from 9:00 AM to 1:00 PM on Saturdays. The Mount Vernon branch, located in a low-income census tract, offers drive-up services from 9:00 AM to 4:00 PM during weekdays and from 9:00 AM to 1:00 PM on Saturdays.

PCSB offers various retail banking products including checking and saving accounts, holiday/vacation accounts, certificates of deposit, individual retirement accounts, money market accounts, and overdraft protection. The Bank offers a secured credit card through a business partner to provide opportunity for consumers seeking to establish a credit history or who have been denied a credit card in the past.

Community Development Services: Low Satisfactory

PCSB provided an adequate level of community development services.

Below are highlights of PCSB's community development services:

- An officer serves on the board of a local food bank serving LMI individuals and families in the Hudson Valley.
- An officer serves on the board of a local organization which provides housing for LMI families.
- An officer is a director of a local organization which provides civil legal services to low-income individuals in the Bank's assessment area.
- A senior member of the Bank's management serves as the treasurer of a local organization which provides affordable housing services for low-income individuals and seniors.
- Various bank employees participated in seminars and events which provided information and education to LMI individuals and families related to fair housing, affordable housing, and financial literacy.

Additional Factors

The following factors were also considered in assessing PCSB'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.

PCSB has a CRA policy that delineates its procedures for compliance with the purposes of the CRA. The policy, implemented during the current evaluation period, specifies the appointment of a CRA officer and creation of a CRA committee. The board of directors appoints the CRA officer annually and the CRA officer in turn reports to the board and chief risk officer. The CRA officer is tasked with conducting an annual CRA self-assessment which is presented to the board, senior management and the CRA committee for review and approval. The CRA officer is also responsible for managing the CRA committee, which meets at least quarterly to discuss CRA performance and concerns. The CRA committee includes representatives from all functional areas of the Bank impacting CRA performance, including the retail, lending, legal, compliance, risk management, marketing and executive divisions.

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 practices by PCSB intended to discourage applications for the types of credit offered by PCSB.

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

DFS examiners did not note 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.*

PCSB's management team and its employees are active in the community and involved with several community and business organizations in the area. Members of PCSB's management serve as board members of seven organizations and as advisory board members of an additional four organizations. Feedback from these organizations resulted in PCSB's creation of its True Community Mortgage Program, targeted to the Hudson Valley LMI 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*

PCSB markets its products and services through local and regional newspapers, as well as through its involvement with civic, community, and nonprofit organizations, local housing corporations, and by means of its seminars and events which provide information and education to LMI individuals and families related to fair housing, affordable housing, and financial literacy.

- *Action Taken in Response to Written Complaints with Respect to CRA*

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

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

In response to the COVID-19 pandemic, PCSB provided a loan payment relief program beginning in March of 2020 for residential and commercial customers facing financial hardship. In addition, the Bank waived overdraft fees, certain ATM transaction fees, incoming wire fees and early withdrawal penalties on certificates of deposit for emergency needs.

During the evaluation period, PCSB extended seven additional community development loans totaling \$19.2 million made in New York State but outside of its Bank's assessment area. The loans primarily supported affordable housing and financing needs of nonprofit organizations that provide various community services targeted towards LMI individuals and families.

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.

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”:

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.

Community Development Financial Institutions Fund (“CDFI Fund”)

The CDFI Fund, an agency of the United States Department of the Treasury, promotes economic revitalization in distressed communities throughout the United States by providing financial assistance and information to community development financial institutions (“CDFI”). Financial institutions, which may include banks, credit unions, loan funds, and community development venture capital funds, can apply to the CDFI Fund for formal certification as a CDFI.

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 2010 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

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.

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 on MDIs, go to FDIC.gov (Minority Depository Institutions Program) including list of MDIs.

New Markets Tax Credit (“NMTC”)

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

Qualified Investment

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

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women’s centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

Paycheck Protection Program (“PPP”) Loans

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) temporarily permits the U.S. Small Business Administration (“SBA”) to guarantee 100% of 7(a) loans under a new program titled the “Paycheck Protection Program”. The intent of the PPP is to help small business cover payroll costs providing for forgiveness of up to the full principal of qualifying loans guaranteed under the PPP subject to certain rules including

how much or percentage of the loan proceeds a borrower spends on payroll costs. A small business owner can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Any amount of the PPP loan that is not forgiven shall be repaid over a 5-year term at a fixed interest rate of 1%.