



PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION OF FLUSHING BANK

AS OF JUNE 30, 2021

New York State Department of Financial Services
Consumer Protection and Financial Enforcement Division
One State Street, New York NY 10004

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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I - GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Flushing Bank (“FB” or the “Bank”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of June 30, 2021.

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.

II - OVERVIEW OF INSTITUTION'S PERFORMANCE

DFS evaluated FB according to the large bank performance criteria pursuant to Sections 76.7, 76.8, 76.9 and 76.10 of the General Regulations of the Superintendent (“GRS”). The assessment period included calendar years 2018, 2019, and 2020 for the lending test and the period April 1, 2018 through June 30, 2021 for community development activities. FB is rated “1,” indicating an “**Outstanding**” record of helping to meet community credit needs.

This rating is based on the following factors:

A - Lending Test: Outstanding

FB’s small business and HMDA-reportable lending activities were excellent in light of FB’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.

1. Lending Activity: Outstanding

FB’s lending levels were excellent 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.

FB’s average loan-to-deposit (“LTD”) ratio for the evaluation period was 114%, well above the peer group’s ratio of 87.6%. Additionally, the Bank’s quarterly average LTD ratios exceeded its peer group’s ratios throughout the evaluation period.

2. Assessment Area Concentration: Outstanding

During the evaluation period, FB originated 99.5% by number and 99.6% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating an excellent concentration of lending.

3. Geographic Distribution of Loans: Outstanding

FB’s origination of loans in census tracts of varying income levels demonstrated an excellent distribution of lending. This was attributed primarily to the Bank’s multifamily lending.

During the evaluation period, FB significantly outperformed the aggregate’s lending rates as well as housing demographics in LMI census tracts.

4. Distribution by Borrower Characteristics: High Satisfactory

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

FB made the majority of its HMDA-reportable loans to corporations or LLCs for investment purposes where borrower income was not required to be reported. Accordingly, distribution by

borrower characteristics was rated solely on FB’s small business lending performance.

In 2020, FB originated Payroll Protection Program (PPP) loans. Since borrower revenue information was not required to be collected for these loans, DFS did not include PPP loans in the category of “Revenues Unknown”, to avoid misrepresentation of borrower income data.

5. Community Development Lending: Outstanding

During the evaluation period, FB originated \$426.1 million in new community development loans and had \$112.1 million outstanding from prior evaluation periods; a substantial majority of FB’s community development lending supports affordable housing. This demonstrated an excellent level of community development lending over the course of the evaluation period.

B. - Investment Test: High Satisfactory

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

1. Qualified Investments:

During the evaluation period, FB made \$44.9 million in new qualified investments and had \$39.7 million outstanding from prior evaluation periods. In addition, FB made 104 community development grants totaling approximately \$866,000. This demonstrated a more than reasonable level of qualified investments and grants over the course of the evaluation period.

2. Innovativeness of Community Development Investments:

FB did not use innovative investments to support community development.

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

FB’s community development investments exhibited more than reasonable responsiveness to the assessment area’s credit and community development needs.

C - Service Test: High Satisfactory

1. Retail Banking Services: High Satisfactory

FB has a more than reasonable branch network, delivery systems, branch hours and services, and alternative delivery systems, including as it relates to LMI individuals.

2. Community Development Services: High Satisfactory

FB provided a relatively high level of community development services. FB management and other Bank personnel served on the boards or committees of community development

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organizations that provide services to low- and moderate-income individuals and communities. The Bank also provided technical assistance and conducted several workshops and training for students and small businesses.

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.

III - PERFORMANCE CONTEXT

A. Institution Profile

Chartered in 1929 as Flushing Savings Bank, FB is a New York State-chartered full service commercial bank headquartered in Uniondale, New York. The Bank is a wholly-owned subsidiary of Flushing Financial Corporation, a bank holding company.

FB operates 25 banking offices, located in Queens, Kings, Nassau, New York and Suffolk Counties. Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of at least one full-service machine at each office; 10 (40%) of the Bank’s branches are in LMI areas. In addition, FB participates in the Allpoint ATM network, giving its customers surcharge-free access to their funds at over 3,000 ATMs in New York and over 55,000 ATMs worldwide.

The Bank provides a full array of traditional banking services such as savings, checking, and certificate-of deposit accounts and lending products to retail customers, businesses, professionals, corporate clients, and public entities through its branch network. FB also engages in real estate lending to property owners and managers in the New York City metropolitan area, as well as cash management services, business lines of credit, and business loans, including SBA loans to small businesses. FB’s retail clients have online and mobile access to their accounts. The Bank also has two separate internet bank divisions -- “iGObanking.com” and “BankPurely.com” - which offer competitively priced deposit products to consumers nationwide, with the latter focused on consumers with a heightened concern about environmental and social issues.

In its Consolidated Report of Condition (the Call Report) as of June 30, 2021, filed with the Federal Deposit Insurance Corporation (“FDIC”), FB reported total assets of \$8.2 billion, of which \$6.7 billion were net loans and lease financing receivables. It also reported total deposits of \$6.4 billion, resulting in a loan-to-deposit ratio of 104.8%. According to the latest available comparative deposit data as of June 30, 2021, FB had a market share of 0.29%, or \$6.4 billion in a market of \$2.2 trillion, ranking it 25th among 126 deposit-taking institutions in its 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, 2019, and December 31, 2020 Call Reports:

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TOTAL GROSS LOANS OUTSTANDING						
Loan Type	12/31/2018		12/31/2019		12/31/2020	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	782,448	14.1	795,253	13.8	862,509	12.9
Commercial & Industrial Loans	632,853	11.4	730,627	12.7	958,376	14.3
Commercial Mortgage Loans	1,788,820	32.2	1,915,754	33.2	2,250,361	33.6
Multifamily Mortgages	2,276,174	41.0	2,245,198	38.9	2,530,898	37.7
Consumer Loans	153	0.0	197	0.0	3,872	0.1
Construction Loans	60,834	1.1	76,655	1.3	91,855	1.4
Other Loans	10,202	0.2	8,522	0.1	6,803	0.1
Total Gross Loans	5,551,484		5,772,206		6,704,674	

As illustrated in the above table, FB is primarily a commercial lender, with 85.6% of its loan portfolio as of December 31, 2020 in multifamily mortgages (37.7%), commercial mortgage loans (33.6%) and commercial and industrial loans (14.3%).

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

B. Assessment Area

The Bank's assessment area is comprised of Bronx, Kings, Nassau, New York, Queens, Richmond, Suffolk, and Westchester counties.

There were 2,997 census tracts in the assessment area, of which 309 are low-income, 692 are moderate-income, 1,033 are middle-income, 882 are upper-income, and 81 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
Suffolk	1	6	68	192	56	323	22.9
Westchester	5	7	26	40	145	223	14.8
Total	81	309	692	1,033	882	2,997	33.4

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C. Demographic & Economic Data

The assessment area had a population of 12,250,043 during the evaluation period. Approximately 13.6% of the population was over the age of 65 and 19.2% was under the age of 16.

Of the 2,808,379 families in the assessment area, 28.1% were low-income, 16.2% were moderate-income, 17.2% were middle-income and 38.5% were upper-income. There were 4,389,890 households in the assessment area, of which 15.9% had income below the poverty level and 3.5% were on public assistance.

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

There were 4,829,707 housing units within the assessment area, of which 52.3% were one-to-four family units and 47.4% were multifamily units. A majority (50.6%) of the area’s housing units were rental units, while 40.3% were owner-occupied units.

Of the total 2,442,178 rental units, 50% were in LMI census tracts while 50% were in middle- and upper-income census tracts. Average monthly gross rent was \$1,362.

Of the 1,947,712 owner-occupied housing units, 16.5% were in LMI census tracts while 83.4% were in middle- and upper-income census tracts. The median age of the housing stock was 75 years, and the median home value in the assessment area was \$518,692.

There were 1,267,183 non-farm businesses in the assessment area. Of these, 90.7% were businesses with reported revenues of less than or equal to \$1 million, 4.4% reported revenues of more than \$1 million and 4.9% did not report their revenues. Of all the businesses in the assessment area, 97.8% were businesses with less than fifty employees while 94.1% operated from a single location. The largest industries in the area were services (36.4%), followed by retail trade (11.6%) and finance, insurance & real estate (9.6%); 26.7% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State and all counties in the assessment area declined from 2018 to 2019. However, in 2020 the unemployment rates surged as a result of the COVID-19 pandemic. Compared to statewide rates, Nassau, New York, Suffolk, and Westchester counties registered lower unemployment rates; while Bronx and Kings counties had consistently higher unemployment rates.

Assessment Area Unemployment Rate									
	Statewide	Bronx	Kings	Nassau	New York	Queens	Richmond	Suffolk	Westchester
2018	4.1	5.6	4.2	3.5	3.7	3.6	4.1	3.8	3.9
2019	3.8	5.3	4.0	3.3	3.4	3.4	3.8	3.5	3.6
2020	10.0	16.0	12.5	8.4	9.5	12.5	10.6	8.5	8.4
Average of Years above	6.0	9.0	6.9	5.1	5.5	6.5	6.2	5.3	5.3

D. Community Information

DFS examiners contacted and interviewed representatives of two nonprofit organizations active in FB's assessment area. The organizations' comments helped to identify potential credit needs and economic concerns within the assessment area.

DFS examiners interviewed a representative of an organization that seeks to promote economic opportunities for individuals and communities in need. Through its workforce development program, the organization helps individuals experiencing barriers to employment obtain, retain, and advance in jobs. The interviewee stated that local residents are often unsure how to establish a savings account, and that some residents find it difficult to afford to purchase or maintain private homes, indicating a need for financial education and affordable loan programs. The interviewee further stated that barriers to self-sufficiency can include a lack of adequate credit history, and that banks could help by providing counseling on how to improve credit scores and establishing partnerships with community development organizations. The interviewee also stated that financial institutions have been generally helpful, but that smaller institutions' programs were often more straightforward than the more sophisticated ones offered by larger banks.

DFS examiners also interviewed the chief executive officer of a nonprofit organization that works with government agencies, local residents and businesses to offer a wide range of housing services. The organization's primary focus is affordable lending, and it has a variety of programs that include financial and homeownership education, loan origination, and mortgage assistance supporting home ownership for underserved New Yorkers. This interviewee stated that there was a significant increase in affordable housing in New York City, and that more people attended its homeownership seminars during the COVID-19 pandemic than there were before the start of the pandemic (during the pandemic, these events were conducted virtually), an indication that although home prices were rising, the demand for affordable housing remained high. The representative also opined that a lack of financial assistance for housing rehabilitation and lack of financial counseling were major problems affecting LMI communities in New York City. The interviewee did not opine at any length about the level of assistance provided by local financial institutions, other than to state that many banks were reluctant to make loans secured by cooperative apartments. The representative also mentioned some institutions that reportedly offered assistance with down payment and closing costs, and others that were willing to support Community Development Financial Institutions ("CDFIs")¹.

¹ Refer to the Glossary for a definition of a Community Development Financial Institution.

IV - PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated FB under the large banking institutions performance criteria in accordance with Sections 76.7, 76.8, 76.9 and 76.10 of the GRS, which consist of the lending, investment and service tests. DFS also considered the following factors in assessing the Bank's record of performance:

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

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

DFS derived statistics employed in this evaluation from various sources. FB submitted bank-specific information both as part of the examination process and 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, and obtained unemployment data from the New York State Department of Labor.

The evaluation period included calendar years 2018, 2019 and 2020 for the lending test, and April 1, 2018 to June 30, 2021 for community development activities.

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

At its prior Performance Evaluation as of March 31, 2018, DFS assigned FB a rating of "1" reflecting an "Outstanding" record of helping to meet the credit needs of FB's community.

Current CRA Rating: Outstanding

A. Lending Test: Outstanding

The Bank's lending performance was evaluated pursuant to the following criteria: (1) Lending Activity;

(2) Assessment Area Concentration;

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

FB's small business and HMDA-reportable activities were excellent in light of FB'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.

1. Lending Activity: Outstanding

FB's lending levels were excellent 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.

FB's average LTD ratio for the evaluation period was 114%, well above the peer group's ratio of 87.6%, and its quarterly average LTD ratios exceeded its peer group's ratios throughout the evaluation period. Additionally, FB's current LTD ratio was essentially consistent with the average level of 113.4 noted at the prior evaluation.

The following table shows the Bank's and its peer group's LTD ratios for the 12 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	2020 Q1	2020 Q2	2020 Q3	2020 Q4	Avg.
Bank	112.3	115.1	113.6	111.4	109.4	114.9	115.2	113.2	120.1	116.2	118.5	108.1	114.0
Peer	88.8	89.9	89.3	89.6	88.5	89.8	88.9	87.9	87.9	85.1	84.7	81.1	87.6

2. Assessment Area Concentration: Outstanding

During the evaluation period, FB originated 99.5% by number and 99.6% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating an excellent concentration of lending. The Bank's high level of lending inside its assessment area was broad-based, covering both lending types (small business and HMDA-reportable) considered during this evaluation.

a. HMDA-Reportable Loans:

During the evaluation period, FB originated 99.6% by number and 99.8% by dollar value of its HMDA-reportable loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending. Of the 716 HMDA-reportable loans the Bank made during the evaluation period, it made 713 inside the assessment area, including all 282 loans made in 2018.

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b. Small Business Loans:

FB originated 99.4% by number and 98.9% by dollar value of its small business loans within the assessment area during the evaluation period. This substantial majority of lending reflects an excellent concentration of lending. Of the 977 small business loans the Bank made during the evaluation period 971 were inside the assessment area, including all 163 loans made in 2019.

The following table shows the percentages of FB’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	282	100.0%	-	0.0%	282	349,380	100.0%	-	0.0%	349,380
2019	237	99.2%	2	0.8%	239	339,727	99.7%	1,115	0.3%	340,842
2020	197	99.5%	1	0.5%	198	255,696	99.6%	900	0.4%	256,596
Subtotal	716	99.6%	3	0.4%	719	944,803	99.8%	2,015	0.2%	946,818
Small Business										
2018	140	97.9%	3	2.1%	143	68,275	96.5%	2,453	3.5%	70,728
2019	163	100.0%	-	0.0%	163	83,236	100.0%	-	0.0%	83,236
2020	674	99.6%	3	0.4%	677	105,502	99.7%	336	0.3%	105,838
Subtotal	977	99.4%	6	0.6%	983	257,013	98.9%	2,789	1.1%	259,802
Grand Total	1,693	99.5%	9	0.5%	1,702	1,201,816	99.6%	4,804	0.4%	1,206,620

3. Geographic Distribution of Loans: Outstanding

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

a. HMDA-Reportable Loans:

The distribution of FB’s HMDA-reportable loans by the income level of the geography was excellent.

During the evaluation period, FB originated 55.7% by number and 50.5% by dollar value of its HMDA-reportable loans in LMI census tracts, outperforming the aggregate’s rates of 16.7% and 20.3%, respectively. Similarly, FB performed favorably compared to the demographic level of renter--occupied housing LMI geographies; DFS examiners noted that most of the Bank’s HMDA-reportable loans were secured by multifamily properties. During the current evaluation period, the Bank’s levels of HMDA-reportable lending were slightly lower than the levels of 56.3% and 62.2% by number and dollar value of loans, respectively, noted at the prior evaluation.

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

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Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2018									
Geographic Income	Bank				Aggregate				RO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	58	20.6%	59,420	17.0%	5,201	3.7%	6,299,635	7.2%	22.6%
Moderate	109	38.7%	111,535	31.9%	21,896	15.6%	15,261,070	17.4%	30.9%
LMI	167	59.2%	170,955	48.9%	27,097	19.3%	21,560,705	24.6%	53.4%
Middle	59	20.9%	62,895	18.0%	57,972	41.2%	24,710,390	28.2%	22.9%
Upper	56	19.9%	115,530	33.1%	55,474	39.4%	41,087,400	46.9%	23.4%
Unknown	0	0.0%	0	0.0%	189	0.1%	331,335	0.4%	0.1%
Total	282		349,380		140,732		87,689,830		
2019									
Geographic Income	Bank				Aggregate				RO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	44	18.6%	56,632	16.7%	4,595	2.9%	6,216,645	5.8%	18.8%
Moderate	86	36.3%	128,802	37.9%	22,132	14.0%	15,443,640	14.5%	31.0%
LMI	130	54.9%	185,434	54.6%	26,727	17.0%	21,660,285	20.4%	49.8%
Middle	53	22.4%	68,482	20.2%	63,980	40.6%	30,158,270	28.4%	24.2%
Upper	53	22.4%	80,811	23.8%	66,685	42.3%	54,094,445	50.9%	25.7%
Unknown	1	0.4%	5,000	1.5%	212	0.1%	462,010	0.4%	0.1%
Total	237		339,727		157,604		106,375,010		
2020									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	27	13.7%	43,569	17.0%	4,930	2.4%	5,188,150	4.1%	18.8%
Moderate	75	38.1%	77,266	30.2%	25,341	12.3%	16,748,165	13.2%	31.0%
LMI	102	51.8%	120,835	47.3%	30,271	14.7%	21,936,315	17.3%	49.8%
Middle	52	26.4%	54,874	21.5%	84,985	41.2%	39,134,265	30.8%	24.2%
Upper	42	21.3%	75,387	29.5%	90,801	44.0%	65,658,625	51.7%	25.7%
Unknown	1	0.5%	4,600	1.8%	242	0.1%	238,290	0.2%	0.1%
Total	197		255,696		206,299		126,967,495		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				RO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	129	18.0%	159,621	16.9%	14,726	2.9%	17,704,430	5.5%	
Moderate	270	37.7%	317,603	33.6%	69,369	13.7%	47,452,875	14.8%	
LMI	399	55.7%	477,224	50.5%	84,095	16.7%	65,157,305	20.3%	
Middle	164	22.9%	186,251	19.7%	206,937	41.0%	94,002,925	29.3%	
Upper	151	21.1%	271,728	28.8%	212,960	42.2%	160,840,470	50.1%	
Unknown	2	0.3%	9,600	1.0%	643	0.1%	1,031,635	0.3%	
Total	716		944,803		504,635		321,032,335		

b. Small Business Loans:

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

During the evaluation period, FB originated 31.9% by number and 35% by dollar value, of its small business loans, outperforming the aggregate’s rates of 24% and 21%, respectively. Similarly, FB’s levels of small business lending compared favorably with the demographic levels of small businesses operating in the assessment area during the evaluation period.

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The following table provides a summary of the distribution of FB’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	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	21	15.0%	11,025	16.1%	29,364	7.9%	771,722	7.2%	7.6%
Moderate	43	30.7%	22,081	32.3%	65,243	17.5%	1,758,735	16.4%	17.7%
LMI	64	45.7%	33,106	48.5%	94,607	25.4%	2,530,457	23.6%	25.3%
Middle	39	27.9%	18,941	27.7%	110,661	29.7%	3,008,896	28.1%	30.7%
Upper	37	26.4%	16,228	23.8%	161,114	43.3%	4,860,881	45.4%	42.1%
Unknown	0	0.0%	0	0.0%	6,036	1.6%	313,556	2.9%	1.9%
Total	140		68,275		372,418		10,713,790		
2019									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	9	5.5%	5,935	7.1%	26,481	6.5%	662,990	5.8%	6.1%
Moderate	60	36.8%	29,024	34.9%	71,544	17.5%	1,861,909	16.2%	17.9%
LMI	69	42.3%	34,959	42.0%	98,025	24.0%	2,524,899	22.0%	23.9%
Middle	59	36.2%	29,011	34.9%	121,526	29.7%	3,241,578	28.2%	30.5%
Upper	33	20.2%	17,401	20.9%	182,381	44.6%	5,314,657	46.3%	43.8%
Unknown	2	1.2%	1,865	2.2%	7,122	1.7%	400,131	3.5%	1.8%
Total	163		83,236		409,054		11,481,265		
2020									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	39	5.8%	4,077	3.9%	25,616	6.0%	1,012,966	4.7%	6.2%
Moderate	140	20.8%	17,853	16.9%	72,703	16.9%	3,102,416	14.5%	17.8%
LMI	179	26.6%	21,930	20.8%	98,319	22.9%	4,115,382	19.2%	24.0%
Middle	294	43.6%	50,438	47.8%	129,109	30.1%	5,947,633	27.7%	29.6%
Upper	194	28.8%	32,092	30.4%	194,407	45.2%	10,664,028	49.7%	44.6%
Unknown	7	1.0%	1,042	1.0%	7,803	1.8%	729,919	3.4%	1.8%
Total	674		105,502		429,638		21,456,962		
GRAND TOTAL									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	69	7.1%	21,037	8.2%	81,461	6.7%	2,447,678	5.6%	
Moderate	243	24.9%	68,958	26.8%	209,490	17.3%	6,723,060	15.4%	
LMI	312	31.9%	89,995	35.0%	290,951	24.0%	9,170,738	21.0%	
Middle	392	40.1%	98,390	38.3%	361,296	29.8%	12,198,107	27.9%	
Upper	264	27.0%	65,721	25.6%	537,902	44.4%	20,839,566	47.7%	
Unknown	9	0.9%	2,907	1.1%	20,961	1.7%	1,443,606	3.3%	
Total	977		257,013		1,211,110		43,652,017		

4. Distribution by Borrower Characteristics: High Satisfactory

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

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FB made the majority of its HMDA-reportable loans to corporations or LLCs for investment purposes. Since borrower income is not reported for these loan types, DFS did not perform an analysis of distribution by borrower characteristics on FB's HMDA-reportable loans. Accordingly, distribution by borrower characteristics was rated solely on FB's small business lending performance.

a. Small Business Loans:

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

FB's average rates of lending to businesses with gross annual revenues of \$1 million or less were 70.5% by number and 70.2% by dollar volume of loans which outperformed the aggregate's lending rates of 40.8% and 23.4% respectively.

In 2020, FB originated Payroll Protection Program (PPP) loans. Since borrower revenue information was not required to be collected for these loans, DFS did not include PPP loans in the category of "Revenues Unknown", to avoid misrepresentation of borrower income data.

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

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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	116	82.9%	57,252	83.9%	154,370	41.5%	3,031,184	28.3%	86.4%
Rev. > \$1MM	23	16.4%	10,030	14.7%					6.8%
Rev. Unknown	1	0.7%	993	1.5%					6.8%
Total	140		68,275		372,418		10,713,790		
2019									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	122	74.8%	63,271	76.0%	186,626	45.6%	3,241,826	28.2%	88.1%
Rev. > \$1MM	40	24.5%	18,965	22.8%					5.8%
Rev. Unknown	1	0.6%	1,000	1.2%					6.1%
Total	163		83,236		409,054		11,481,265		
2020									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	1	2.8%	94	0.5%	153,404	35.7%	3,933,685	18.3%	90.7%
Rev. > \$1MM	16	44.4%	8,693	43.1%					4.4%
Rev. Unknown	19	52.8%	11,400	56.5%					4.9%
Total	36		20,187		429,638		21,456,962		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	239	70.5%	120,617	70.2%	494,400	40.8%	10,206,695	23.4%	
Rev. > \$1MM	79	23.3%	37,688	22.0%	-				
Rev. Unknown	21	6.2%	13,393	7.8%	0				
Total	339		171,698		1,211,110		43,652,017		

5. Community Development Lending: Outstanding

During the evaluation period, FB originated \$426.1 million in new community development loans and had \$112.1 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

While the current level of community development lending (consisting of both new and previously outstanding loans) of \$538.2 million represented an 11.9% decline from the (combined new and previously outstanding) level of \$610.8 million noted at the prior evaluation, DFS examiners noted that the level of new community development lending increased from \$413.1 million at the prior evaluation to \$426.1 million at the current evaluation.

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

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Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	403	417,996	210	109,083
Economic Development	0	0	0	0
Community Services	0	0	1	3,029
Revitalization/Stabilization	2	8,113	0	0
Total	405	426,109	211	112,112

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

A substantial majority (97.9% by dollar value) of FB’s community development lending supports multifamily affordable housing properties and projects, providing affordable rental housing to LMI individuals and families throughout the Bank’s assessment area. In addition, FB financed various mixed-use properties located in LMI census tracts throughout the assessment area, supporting revitalization and stabilization by helping to attract and retain businesses and residents.

However, DFS disqualified two multifamily loans totaling \$5.6 million that each were secured by properties located in Brooklyn that FB submitted for community development lending credit because the subject properties had an unacceptably high scores (in excess of 800) in the University Neighborhood Housing Program’s Building Indicator Project (“BIP”) database, indicating that the subject properties facilitated substandard living conditions, and therefore did not promote or provide affordable housing².

6. Flexible and/or Innovative Lending Practices

FB did not use flexible or innovative lending practices.

B. Investment Test: High Satisfactory

The Department evaluated FB’s investment performance pursuant to the following criteria:

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

1. Qualified Investments

² Pursuant to the Department’s Updated Final Guidelines for Banking Lending to Multifamily Properties Under the Community Reinvestment Act, issued December 4, 2014, DFS considers whether a multifamily loan submitted for affordable housing or neighborhood revitalization credit contributes to, and does not undermine, the availability of affordable housing or neighborhood conditions. This guidance is available at: <https://www.dfs.ny.gov/system/files/documents/2020/03/il141204.pdf>

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During the evaluation period, FB made \$44.9 million in new qualified investments and had \$39.7 million outstanding from prior evaluation periods. In addition, FB made 104 community development grants totaling approximately \$866,000. This demonstrated a more than reasonable level of qualified investments and grants over the course of the evaluation period.

These levels, totaling approximately \$85.5 million at the current evaluation, were 23.9% higher than the combined levels of approximately \$69 million noted at the prior evaluation.

Qualified Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	9	44,903	15	39,730
Economic Development				
Community Services				
Other				
Total	9	44,903	15	39,730
CD Grants	# of Grants	\$000	<i>Not Applicable</i>	
Affordable Housing	7	48		
Economic Development	10	68		
Community Services	87	750		
Other (Please Specify)				
Total	104	866		

Below are highlights of FB’s qualified investments and grants.

During the evaluation period, FB made nine investments in mortgage-backed securities, seven of which were issued by FNMA and two of which were issued by GNMA-The underlying mortgages collateralizing these securities were made to LMI borrowers.

The Bank’s grants included the following:

- FB donated \$26,000 to a non-profit organization which provides affordable healthcare to the underserved, including LMI individuals and families in a community with a high immigrant population in New York City.
- FB made a \$10,000 grant to a non-profit organization that works with city and state housing agencies and developers to create, develop, and preserve affordable housing for low- and moderate-income households in New York City.
- FB made a \$13,000 grant to a community center which provides educational, recreational, cultural, health and career-building services to low-income and immigrant youth, adults,

and families in Queens.

- FB made a \$22,500 grant to a community center specializing in education and the arts for an LMI community in Queens.
- FB donated \$5,500 to a nonprofit organization which provides employment counseling, financial literacy training, and other services such as parenting classes, tutoring, and tuition assistance for LMI individuals, families, veterans, and the homeless on Long Island.
- FB donated \$41,750 to a legal program to assist LMI individuals and families on Long Island facing or at risk of foreclosure. .

2. Innovativeness of Qualified Investments:

FB did not make innovative investments to support community development.

3. Responsiveness of Qualified Investments to Credit and Community Development Needs:

FB's qualified investments exhibited more than reasonable responsiveness to the assessment area's credit and community development needs.

C. Service Test: High Satisfactory

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

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

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

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

1. Retail Banking Services: High Satisfactory

FB has a more than reasonable branch network, delivery systems, branch hours and services, and alternative delivery systems to meet the needs of LMI individuals.

a. Current distribution of the banking institution's branches:

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

The Bank has 25 branches located across its assessment area, of which ten or 40% are in LMI census tracts, exceeding the level of LMI census tracts- of 33.4% - in the assessment area.

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Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Kings	0	2	2	0	1	5	80%
Nassau	0	0	0	4	1	5	0%
New York	0	1	0	0	2	3	33%
Queens	0	3	2	3	1	9	56%
Suffolk	0	0	0	3	0	3	0%
Total	-	6	4	10	5	25	40%

b. Record of opening and closing branches:

FB’s record of opening and closing branches has improved the accessibility of its delivery systems, including LMI geographies and/or LMI individuals.

During the evaluation period, FB opened three new branches and acquired four branches through a merger with another institution, increasing the number of branches to 25 from 18 during the prior evaluation period. Branches located in LMI census tracts increased by 25% (from eight to 10).

c. Availability and effectiveness of alternative systems for delivering retail services:

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

FB provides a broad array of alternative delivery systems, including internet, mobile, and telephone banking (staffed Monday through Sunday from 7 A.M. to 11 P.M. with automated service available at all times), online bill payment, mobile check deposits, and bank-by-mail.

FB also offers a “Bank at Work” program. The program allows employees of participating businesses to open a checking account with FB at their respective workplaces. Through this program, the Bank opened 208 checking accounts for customers, of whom 121 accountholders resided in low- or moderate-income census tracts and 152 accountholders resided in majority-minority census tracts.

The Bank also provides services to assist customers with disabilities, including TTY/TDD service for the hearing impaired and reader service, large-print brochures and disclosure statements, checks in large image format and with raised/embossed guidelines, and magnifiers for the visually impaired to aid in completing transactions and other documentation.

d. Range of services provided:

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

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2. Community Development Services: High Satisfactory

FB provided a relatively high level of community development services.

During the evaluation period, FB management and other Bank personnel served on the boards or committees of community development organizations that provide services to low- and moderate-income individuals and communities. The Bank also provided technical assistance and conducted several workshops and training for students and small businesses. In all instances, FB provided approximately 1,234 hours of community development services, as noted in the table below.

Community Development Services	
Purpose	Hours of Service
Affordable Housing	122
Economic Development	175
Community Services	912
Services related to Covid Relief [Joint Statement in Response to COVID-19 of 3-19-2020]	3
Services related to Women- and Minority-owned Businesses [NYBL Section 28-b(3)(a), revised 2020]	22
	1,234

Below are highlights of FB's community development services.

- FB's executive vice president and chief operating officer serves on the board of a nonprofit organization whose primary focus is health, education, and financial stability. The organization collaborates with other community development organizations and programs that help improve the lives of the most vulnerable and at-risk families living across Long Island.
- FB's executive vice president and chief financial officer serves on the board of a nonprofit organization that provides various services for homeless and low-income New York residents. The organization's services include housing, healthcare and HIV prevention, substance use treatment, job training, and legal assistance.
- FB's executive vice president and director serves on the board of a nonprofit organization that was created to provide affordable and safe housing opportunities for Long Island residents through mortgage counseling, down payment assistance, foreclosure prevention, first-time homebuyer counseling, lending, and rehabilitation programs.
- FB's staff members provided financial and technical assistance to start-up and small business owners. The training included setting goals to save money, budgeting, building credit history, guidance, and leadership to help small business owners achieve success.
- FB's staff members provided financial education to students at schools where the majority of students are economically disadvantaged. The courses covered subjects such as money

management, banking, career development, and taxes.

D. Additional Factors

The following factors were also considered in assessing FB'S record of performance.

1. The extent of participation by the banking institution's board of directors or board of trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the CRA.

FB's Board of Directors provides oversight of the Bank's compliance with New York and federal laws, regulations and requirements, including those applicable to CRA, through its Risk and Compliance Committee. The Bank's CRA officer is responsible for outlining the Bank's CRA strategy and developing the CRA Plan. The CRA officer measures the plan's performance by conducting a semi-annual CRA self-assessment and reports the progress of the CRA program to the committee for its review. FB's internal audit function conducts periodic audits to assess the Bank's compliance with CRA requirements, laws and regulations.

2. 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 FB intended to discourage applications for the types of credit offered by FB.

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

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

3. 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.*

FB ascertains the needs of the communities it serves through the participation and involvement of executive officers, including the president and CEO and senior vice presidents, assuming leadership positions in a number of community organizations such as the Federal Home Loan Bank, Neighborhood Housing Service, the New York Business Development Corporation and United Way. FB also established an advisory board, comprised of representatives from diverse industries including real estate, insurance, property management and brokerage. The board helps to broaden FB's links to the community and foster awareness of the active role of the Bank in the local community. Other activities include sponsorship of community events such as seminars, meetings and

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educational materials on financial literacy through the joint efforts of the CRA officer and the branch managers and the Bank's Diversity and Inclusion Committee.

The Bank also partnered with other institutions and projects in their community to promote climate resiliency.

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

FB promotes its consumer and business products by mailing pamphlets and brochures, posters posted on the windows of branches, telephone calls, rewards-based referrals and cross-selling to existing customers, networking events, advertisements in local newspapers and industry publications and social media.

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

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

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

DFS examiners noted no other factors.

V. - 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.

Fair Market Rents (“FMRs”)

Fair Market Rents are published and developed annually by the US Department of Housing and Urban Development (“HUD”) and used to determine rent payments for affordable housing projects such as Section 8 contracts in defined metropolitan statistical areas (“MSAs”) nationwide. For easy reference of annual FMRs in New York MSAs or counties, go to www.huduser.gov/portal/datasets/fmr.html

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

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.

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%. The program officially ended May 31, 2021.

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;

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- 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.

Small Business Loan

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