PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION
OF
NORTHEAST COMMUNITY BANK

March 31, 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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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Northeast Community Bank ("NECB" or the "Bank") prepared by the New York State Department of Financial Services ("DFS" or the "Department"). This evaluation represents the Department's current assessment and rating of the institution's CRA performance based on an evaluation conducted as of March 31, 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.

OVERVIEW OF INSTITUTION'S PERFORMANCE

DFS evaluated NECB according to the intermediate small bank performance criteria pursuant to Sections 76.7 and 76.12 of the General Regulations of the Superintendent ("GRS"). The assessment period included calendar years 2017, 2018, 2019, and 2020 for the lending test and the period July 1, 2017, through March 31, 2021, for community development activities. NECB is rated "**1**" indicating an "**Outstanding**" record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: Outstanding

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

NECB's average loan-to-deposit ("LTD") ratio was excellent considering its size, business strategy, financial condition and peer group activity. The Bank's average LTD ratio of 105.7% significantly exceeded its peer group's average of 90%. Over the course of the evaluation period, NECB's LTD ratio ranged from 87.3% to 114.7% while the peer group's LTD ratio ranged from 82.5% to 92.9%.

Assessment Area Concentration: Outstanding

During the evaluation period, NECB originated 98.8% by number and 98.9% by dollar value of its HMDA-reportable, small business and construction loans within the assessment area, demonstrating an excellent concentration of lending.

Distribution by Borrower Characteristics: Satisfactory

NECB's small business lending demonstrated a reasonable distribution of loans among businesses of different revenue sizes. NECB's lending to businesses with annual revenues of $1 million or less represented 50.5% by number of loans and 41.4% by dollar value, compared to 43.2% and 25.6%, respectively, for the aggregate.

NECB's HMDA-reportable and construction loans were made to commercial borrowers with no revenues reported; accordingly, these loan types were not included in this performance criterion.

Geographic Distribution of Loans: Outstanding

NECB's origination of loans in census tracts of varying income levels demonstrated an excellent distribution of lending. NECB originated 45.7% by number of loans and 55.5% by dollar value of its HMDA-reportable loans in LMI geographies, compared to 20% and 25.1%, respectively, for the aggregate. With regard to small business loans, NECB originated 34.1% by number of loans and 44% by dollar value in LMI geographies, compared to 28.5% and 23.3%, respectively, for the aggregate. At NECB's request, DFS also considered the levels of the Bank's construction and land development lending. During the evaluation period, NECB originated 72.3% by number of loans and 67% by dollar value of its construction loans in LMI geographies.

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

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

Community Development Test: Outstanding

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

Community Development Lending: Outstanding

During the evaluation period, NECB originated $317 million in community development loans and had none outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period. This was a significant increase from the $37.8 million originated during the previous evaluation period.

Virtually all of NECB's community development lending supported multifamily construction (paired with land acquisitions) in LMI geographies, with a significant portion in Bronx and Orange Counties

Qualified Investments: Outstanding

During the evaluation period, NECB made $8.5 million in qualified investments and had $4.2 million outstanding from prior evaluation periods. In addition, NECB made $45,624 in grants. This demonstrated an excellent level of qualified investments over the course of the evaluation period.

The Bank's qualified investments were made into a fund whose purpose is to help LMI communities throughout the assessment area and into municipal bonds supporting various infrastructure projects in an LMI area located in Orange County.

Community Development Services: Needs to Improve

NECB demonstrated a less than adequate level of community development services over the course of the evaluation period, providing only two such services during the evaluation period.

Responsiveness to Community Development Needs:

NECB demonstrated an excellent level of responsiveness to credit and community development needs.

The Bank's focus on multifamily construction/land lending in several LMI communities within its assessment area and its high level of qualified investments demonstrates its efforts to meet the credit and overall community development needs of its assessment area.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York Banking Law and GRS Part 76.

PERFORMANCE CONTEXT

Institution Profile

NECB is a New York State-chartered savings bank headquartered in White Plains, New York. The Bank is a wholly owned subsidiary of NorthEast Community Bancorp, Inc., a publicly-traded company.

NECB operates six full-service branches and two loan production offices in New York State, in New York, Bronx, Orange, and Rockland Counties. The Bank also operates three full-service branches and one loan production office in the Commonwealth of Massachusetts. Supplementing the banking offices is an automated teller machine ("ATM") network (accessible 24 hours per day, seven days per week) consisting of 11 machines. Most branches have one walk-up ATM, while the branches in Monroe and Spring Valley also each have a drive-up ATM. All of NECB's ATMs allow for both withdrawals and deposits.

NECB's branches are generally open from 9:00A.M to 4:00 or 5:00 P.M. Monday-Friday and 9:00 or 10:00 A.M. to 1:00 P.M. on Saturday and/or Sunday. The branches in New York and Bronx Counties and the branch in Monroe (Orange County) are open on Saturday, while the Spring Valley (Rockland County) branch is open on both Saturday and Sunday. The branches in Monsey (Rockland County) and Kiryas Joel (Orange County) are closed on Saturday but open on Sunday. NECB's delivery channels also include telephone banking, online banking, and mobile banking. NECB's debit card customers can also access, free of fees, any of the 55,000 ATMs at various retail locations operated by the Allpoint network.

NECB offers traditional banking products such as checking and savings (including certificates of deposit and retirement accounts) to individuals as well as commercial deposit products such as automatic clearing house ("ACH") processing and cash management. Its lending activities are almost entirely commercial and focus on commercial construction loans, commercial real estate loans (including mortgage loans secured by multifamily properties), commercial and industrial loans, including loans guaranteed by the Small Business Administration and commercial lines of credit.

In its Consolidated Report of Condition (the Call Report) as of December 31, 2020, filed with the Federal Deposit Insurance Corporation ("FDIC"), NECB reported total assets of $960.1 million, of which $815.8 million were net loans and lease financing receivables. It also reported total deposits of $775.6 million, resulting in a loan-to-deposit ratio of 105.2%. According to comparative deposit data as of June 20, 2020, NECB obtained a market share of .03%, or $613.6 million in a market of $1.8 trillion, ranking it 56th among 125 deposit-taking institutions in the Bank's assessment area.

The following is a summary of the Bank's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2017, 2018, 2019, and 2020 Call Reports:

TOTAL GROSS LOANS OUTSTANDING								
	2017		2018		2019		2020	
Loan Type	$000's	%	$000's	%	$000's	%	$000's	%
1-4 Family Residential Mortgage Loans	15,084	2.2	12,838	1.7	9,188	1.2	6,171	0.8
Commercial & Industrial Loans	69,812	10.0	71,785	9.6	78,669	10.5	89,481	10.9
Commercial Mortgage Loans	70,634	10.1	63,819	8.5	66,894	9.0	60,674	7.4
Multifamily Mortgages	210,804	30.1	183,889	24.6	131,212	17.6	121,033	14.7
Consumer Loans	93	0.0	76	0.0	51	0.0	494	0.1
Construction Loans	332,797	47.6	414,539	55.5	462,103	61.9	543,022	66.2
Total Gross Loans	699,224		746,946		748,117		820,875	

As illustrated in the above table, NECB is primarily a commercial lender, with 66.2% of its loan portfolio in construction loans, followed by 14.7% in multifamily mortgages, and 10.9% in commercial and industrial loans.

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

Assessment Area

The Bank's assessment area is comprised of Bronx, Kings, New York, Orange, Rockland, Sullivan, and Westchester Counties.

There are 1,779 census tracts in the assessment area, of which 289 are low-income, 469 are moderate-income, 412 are middle-income, 568 are upper-income, and 41 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
New York	15	34	57	21	161	288	31.6
Orange	0	9	14	37	19	79	29.1
Rockland	0	4	9	7	45	65	20.0
Sullivan	0	0	4	17	3	24	16.7
Westchester	5	7	26	40	145	223	14.8
Total	41	289	469	412	568	1,779	42.6

In 2018, the Bank removed Queens and Richmond Counties from its assessment area, citing low or lack of lending activities in these counties. In 2019 NECB added Sullivan County to its assessment area, as the Bank recorded an increase in banking and credit opportunities in that county. As a result of these changes there were 756 fewer census tracts considered in the current evaluation compared to the prior evaluation. At that time, the Bank had 2,535 total census tracts in its assessment area, of which 1,027 (40.5%) were low or moderate-income.

Demographic & Economic Data

The assessment area had a population of 7,392,840 during the evaluation period. Approximately 12.9% of the population was over the age of 65 and 19.8% was under the age of 16.

Of the 1,634,385 families in the assessment area 31.4% were low-income, 14.9% were moderate-income, 14.5% were middle-income and 39.3% were upper-income. There were 2,761,453 households in the assessment area, of which 19.2% had income below the poverty level and 4% were on public assistance.

The weighted average median family income in the assessment area was $79,710.

There were 3,063,025 housing units within the assessment area, of which 38.4% were one-to-four family units and 61.1% were multifamily units. A majority (60.1%) of the area's housing units were rental units, while 30% were owner-occupied. Of the total 1,841,567 rental-occupied units, 53.8% were in LMI census tracts while 45.9% were in middle- and upper-income census tracts. Average monthly gross rent was $1,339. Of the 919,886 owner-occupied housing units, 18.5% were in LMI census tracts while 81.3% were in middle- and upper-income census tracts. The median age of the housing stock was 70 years, and the median home value in the assessment area was $540,680.

There were 788,714 non-farm businesses in the assessment area. Of these, 89.9% were businesses with reported revenues of less than or equal to $1 million, 4.8% reported revenues of more than $1 million and 5.3% did not report their revenues. Of all the businesses in the assessment area, 97.6% were businesses with less than fifty employees while 93.5% operated from a single location. The largest industries in the area were services (36.3%), followed by retail trade (11.6%) and finance, insurance, and real estate (10.3%); 28% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rates for New York State and all counties in the assessment area decreased from 2017 to 2019. However, at the onset of the COVID-19 pandemic in 2020, many businesses closed, resulting in severe increases in the respective unemployment rates in all counties in NECB's assessment area and statewide. The average rates of unemployment in Bronx and Kings Counties exceeded the rates in all other counties in the assessment area, as well as the statewide average for the duration of the evaluation period.

Assessment Area Unemployment Rate								
	Statewide	Bronx	Kings	New York	Orange	Rockland	Sullivan	Westchester
2017	4.6%	6.2%	4.6%	4.0%	4.5%	4.3%	4.9%	4.5%
2018	4.1%	5.6%	4.2%	3.7%	3.9%	3.7%	4.1%	3.9%
2019	3.8%	5.3%	4.0%	3.4%	3.6%	3.4%	3.8%	3.6%
2020	10.0%	16.0%	12.5%	9.5%	8.4%	8.1%	8.8%	8.4%
Average of Years Above	5.6%	8.3%	6.3%	5.2%	5.1%	4.9%	5.4%	5.1%

Community Information

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

Both organizations observed that before the pandemic, economic conditions were improving; unemployment was decreasing, while consumer spending was increasing, and banks were generally willing to provide credit to local businesses.

Representatives from both organizations stated that the onset of the pandemic resulted in a significant to severe decrease in lending activities. Banks began to be more selective or completely stopped their lending activities. One organization stated that some banks went so far as to pre-emptively cancel businesses' lines of credit, including accounts of profitable businesses with good prospects and credit histories.

Representatives of both organizations stated that while business lending under SBA-guaranteed programs continued, many banks, particularly larger institutions, were unhelpful in assisting would-be borrowers in obtaining loans through the Paycheck Protection Program ("PPP"). Among other issues, many bank employees reportedly had no information to offer and/or could not answer questions put to them by potential or actual applicants. One organization's representative went on to state that some banks seemed to negatively evaluate businesses with outstanding PPP loans when they applied for additional financing, even though PPP loans, guaranteed by the federal government and intended to be completely forgiven, posed no risk to lenders. The same representative did note the willingness of nontraditional lenders to provide financing. The representative also stated that some nontraditional lenders were very helpful and worked with the PPP loan program, but others only offered credit on the most onerous of terms.

One organization also stated that relationship/face-to-face banking is vital for small businesses, but that as banks have gained experience working remotely, they may become more inclined to close branches. Both organizations stated that local community banks and credit unions made reasonable efforts to be helpful to local businesses.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated NECB under the intermediate small bank performance standards in accordance with Sections 76.7 and 76.12 of the General Regulations of the Superintendent, which consist of the lending test and the community development test.

The lending test includes:

1. *Loan-to-deposit ratio and other lending-related activities;*
2. *Assessment area concentration;*
3. *Distribution of loans by borrower characteristics;*
4. *Geographic distribution of loans; and*
5. *Action taken in response to written complaints regarding CRA.*

The community development test includes:

1. *Community development lending;*
2. *Community development investments;*
3. *Community development services; and*
4. *Responsiveness to community development needs.*

DFS also considered the following factors in assessing the bank's record of performance:

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

DFS derived statistics employed in this evaluation from various sources. NECB submitted bank-specific information both as part of the examination process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS obtained LTD ratios from information shown in the Bank's Uniform Bank Performance Report, compiled by the FFIEC from Call Report data.

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

The assessment period included calendar years 2017, 2018, 2019, and 2020 for the lending test and the period July 1, 2017, through March 31, 2021, for community development activities.

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

Because NECB is not required to report small business loan data, NECB's small business lending is not included in the aggregate data. The aggregate data are shown only for comparative purposes.

Examiners gave greater weight to NECB's construction lending in this evaluation, as the volume of construction lending was considerably greater than either HMDA-reportable or small business lending during the current evaluation period.

At its prior Performance Evaluation, as of June 30, 2017, DFS assigned NECB a rating of "2" reflecting a "Satisfactory" record of helping to meet the credit needs of NECB's communities.

Current CRA Rating: Outstanding

Lending Test: Outstanding

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

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

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

NECB's average LTD ratio of 105.7% for the evaluation period significantly exceeded the peer group's average LTD ratio of 90%. NECB's quarterly ratios consistently outperformed the peer group's ratios except in the third quarter of 2019. Over the course of the evaluation period, NECB's LTD ratio ranged from 87.3% to 114.7% while the peer group's LTD ratio ranged from 82.5% to 92.9%.

The table below shows NECB's LTD ratios in comparison with the peer group's ratios for the 16 quarters of this evaluation period.

Loan-to-Deposit Ratios																	
	2017 Q1	2017 Q2	2017 Q3	2017 Q4	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	109.4	112.0	114.7	110.7	110.8	111.2	112.9	107.5	100.9	97.9	87.3	94.9	107.5	103.8	104.6	105.2	105.7
Peer	88.6	89.6	90.5	91.5	91.1	92.1	92.5	92.5	91.2	90.5	92.9	90.7	90.6	87.9	85.7	82.5	90.0

Assessment Area Concentration: Outstanding

During the evaluation period, NECB originated 98.8% by number and 98.9% by dollar value of its total HMDA-reportable, small business and construction loans within the assessment area, demonstrating an excellent concentration of lending.

NECB originated a total of 757 loans, of which only nine were made outside of its assessment area, consisting of four construction loans and five small business loans. The Bank originated all of its HMDA-reportable loans within its assessment area.

The following table shows the percentages of NECB's HMDA-reportable, small business and construction 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										
2017	14	100.0%	-	0.0%	14	12,942	100.0%	-	0.0%	12,942
2018	17	100.0%	-	0.0%	17	19,867	100.0%	-	0.0%	19,867
2019	8	100.0%	-	0.0%	8	5,255	100.0%	-	0.0%	5,255
2020	7	100.0%	-	0.0%	7	3,171	100.0%	-	0.0%	3,171
Subtotal	46	100.0%	-	0.0%	46	41,235	100.0%	-	0.0%	41,235
Small Business										
2017	33	97.1%	1	2.9%	34	12,978	98.1%	250	1.9%	13,228
2018	28	93.3%	2	6.7%	30	9,583	90.6%	1,000	9.4%	10,583
2019	17	100.0%	-	0.0%	17	5,936	100.0%	-	0.0%	5,936
2020	13	86.7%	2	13.3%	15	4,188	97.7%	100	2.3%	4,288
Subtotal	91	94.8%	5	5.2%	96	32,685	96.0%	1,350	4.0%	34,035
Construction and Land Development Loans										
2017	161	100.0%	-	0.0%	161	224,874	100.0%	-	0.0%	224,874
2018	197	98.5%	3	1.5%	200	276,107	97.4%	7,255	2.6%	283,362
2019	160	100.0%	-	0.0%	160	224,168	100.0%	-	0.0%	224,168
2020	93	98.9%	1	1.1%	94	148,119	98.9%	1,575	1.1%	149,694
Subtotal	611	99.3%	4	0.7%	615	873,268	99.0%	8,830	1.0%	882,098
Grand Total	748	98.8%	9	1.2%	757	947,188	98.9%	10,180	1.1%	957,368

Distribution by Borrower Characteristics: Satisfactory

NECB's small business lending demonstrated a reasonable distribution of loans among businesses of different revenue sizes. NECB's HMDA-reportable and construction loans were made to commercial borrowers with no revenues reported; accordingly, these loan types were not included in this performance criterion.

During the evaluation period, NECB's lending to businesses with annual revenues of $1 million or less represented 50.5% by number of loans and 41.4% by dollar value, compared to 43.2% and 25.6%, respectively, for the aggregate. Demographic data show that during the evaluation period, approximately 86% of non-farm businesses in the assessment area had revenues of $1 million or less.

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

Distribution of Small Business Lending by Revenue Size of Business									
2017									
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1MM	18	54.5%	6,301	48.6%	143,663	52.0%	2,827,581	34.8%	86.0%
Rev. > $1MM	15	45.5%	6,677	51.4%	132,423		5,296,168		7.0%
Rev. Unknown	-	0.0%	0	0.0%	0		0		7.0%
Total	**33**		**12,978**		**276,086**		**8,123,749**		
2018									
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1MM	16	57.1%	5,264	54.9%	95,215	40.6%	1,890,423	27.5%	85.0%
Rev. > $1MM	12	42.9%	4,319	45.1%	139,142		4,973,168		7.5%
Rev. Unknown	-	0.0%		0.0%	0				7.4%
Total	**28**		**9,583**		**234,357**		**6,863,591**		
2019									
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1MM	8	47.1%	941	15.9%	115,892	44.7%	2,019,497	27.4%	86.9%
Rev. > $1MM	9	52.9%	4,995	84.1%	143,529		5,353,301		6.4%
Rev. Unknown	-	0.0%	0	0.0%	0				6.7%
Total	**17**		**5,936**		**259,421**		**7,372,798**		
2020									
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1MM	4	30.8%	1,038	24.8%	93,590	35.1%	2,494,499	18.2%	89.9%
Rev. > $1MM	9	69.2%	3,150	75.2%	173,389		11,222,865		4.8%
Rev. Unknown	-	0.0%	0	0.0%					5.3%
Total	**13**		**4,188**		**266,979**		**13,717,364**		
GRAND TOTAL									
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1MM	46	50.5%	13,544	41.4%	448,360	43.2%	9,232,000	25.6%	
Rev. > $1MM	45	49.5%	19,141	58.6%	588,483				
Rev. Unknown	-	0.0%	-	0.0%					
Total	**91**		32,685						

Geographic Distribution of Loans: Outstanding

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

HMDA-Reportable Loans:

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

During the evaluation period, NECB originated 45.7% by number of loans and 55.5% by dollar value in LMI geographies, compared to 20% and 25.1%, respectively, for the aggregate. NECB's results also exceeded the demographic level of owner-occupied housing units in LMI census tracts, including in low-income census tracts, in each year of the current evaluation period.

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

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2017									
Geographic	**Bank**				**Aggregate**				**OO HUs**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	3	21.4%	2,190	16.9%	3,889	4.9%	3,746,141	7.1%	3.7%
Moderate	2	14.3%	2,175	16.8%	12,175	15.4%	10,453,619	19.7%	16.0%
LMI	5	35.7%	4,365	33.7%	16,064	20.3%	14,199,760	26.8%	19.6%
Middle	2	14.3%	3,650	28.2%	20,492	25.9%	9,574,045	18.0%	29.4%
Upper	7	50.0%	4,927	38.1%	42,420	53.6%	29,094,239	54.8%	50.8%
Unknown	0	0.0%	0	0.0%	123	0.2%	214,977	0.4%	0.1%
Total	**14**		**12,942**		**79,099**		**53,083,021**		
2018									
Geographic	**Bank**				**Aggregate**				**OO HUs**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	5	29.4%	5,406	27.2%	4,486	6.9%	5,786,470	10.5%	4.7%
Moderate	6	35.3%	9,378	47.2%	10,280	15.7%	9,906,310	18.0%	15.7%
LMI	11	64.7%	14,784	74.4%	14,766	22.6%	15,692,780	28.5%	20.5%
Middle	0	0.0%	0	0.0%	11,786	18.0%	7,574,230	13.7%	22.0%
Upper	6	35.3%	5,083	25.6%	38,695	59.2%	31,573,715	57.2%	57.4%
Unknown	0	0.0%		0.0%	130	0.2%	314,020	0.6%	0.2%
Total	**17**		**19,867**		**65,377**		**55,154,745**		
2019									
Geographic	**Bank**				**Aggregate**				**OO HUs**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	3	37.5%	2,892	55.0%	4,311	5.8%	5,908,815	9.0%	3.8%
Moderate	0	0.0%	0	0.0%	10,761	14.5%	10,430,125	15.8%	14.7%
LMI	3	37.5%	2,892	55.0%	15,072	20.3%	16,338,940	24.8%	18.5%
Middle	1	12.5%	18	0.3%	16,224	21.9%	9,529,810	14.5%	25.4%
Upper	4	50.0%	2,345	44.6%	42,789	57.6%	39,624,305	60.1%	55.9%
Unknown	0	0.0%		0.0%	152	0.2%	426,520	0.6%	0.2%
Total	**8**		**5,255**		**74,237**		**65,919,575**		
2020									
Geographic	**Bank**				**Aggregate**				**OO HUs**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	2	28.6%	840	26.5%	4,968	5.1%	4,899,300	6.8%	3.8%
Moderate	0	0.0%	0	0.0%	12,301	12.7%	10,782,975	14.9%	14.7%
LMI	2	28.6%	840	26.5%	17,269	17.9%	15,682,275	21.7%	18.5%
Middle	1	14.3%	900	28.4%	20,528	21.3%	10,298,890	14.2%	25.4%
Upper	4	57.1%	1,431	45.1%	58,536	60.7%	46,220,050	63.8%	55.9%
Unknown	0	0.0%	0	0.0%	181	0.2%	213,125	0.3%	0.2%
Total	**7**		**3,171**		**96,514**		**72,414,340**		
GRAND TOTAL									
Geographic	**Bank**				**Aggregate**				**OO HUs**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	13	28.3%	11,328	27.5%	17,654	5.6%	20,340,726	8.2%	
Moderate	8	17.4%	11,553	28.0%	45,517	14.4%	41,573,029	16.9%	
LMI	21	45.7%	22,881	55.5%	63,171	20.0%	61,913,755	25.1%	
Middle	4	8.7%	4,568	11.1%	69,030	21.9%	36,976,975	15.0%	
Upper	21	45.7%	13,786	33.4%	182,440	57.9%	146,512,309	59.4%	
Unknown	-	0.0%	-	0.0%	586	0.2%	1,168,642	0.5%	
Total	**46**		**41,235**		**315,227**		**246,571,681**		

Small Business Loans:

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

During the evaluation period, NECB originated 34.1% by number of loans and 44% by dollar value in LMI geographies, compared to 28.5% and 23.3%, respectively, for the aggregate. Demographic data show that the percentage of non-farm businesses located in LMI geographies ranged between 26.9% and 28.5% during the evaluation period.

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

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2017									
Geographic	**Bank**				**Aggregate**				**Bus.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	4	12.1%	3,000	23.1%	30,981	11.2%	779,649	9.6%	9.7%
Moderate	9	27.3%	4,377	33.7%	51,596	18.7%	1,344,505	16.6%	18.8%
LMI	13	39.4%	7,377	56.8%	82,577	29.9%	2,124,154	26.1%	28.5%
Middle	2	6.1%	560	4.3%	53,045	19.2%	1,398,480	17.2%	19.8%
Upper	18	54.5%	5,041	38.8%	135,088	48.9%	4,308,113	53.0%	49.3%
Unknown	0	0.0%	0	0.0%	5,376	1.9%	293,002	3.6%	2.4%
Total	**33**		**12,978**		**276,086**		**8,123,749**		
2018									
Geographic	**Bank**				**Aggregate**				**Bus.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	2	7.1%	679	7.1%	28,332	12.1%	724,909	10.6%	11.0%
Moderate	3	10.7%	1,294	13.5%	41,029	17.5%	1,042,812	15.2%	17.2%
LMI	5	17.9%	1,973	20.6%	69,361	29.6%	1,767,721	25.8%	28.1%
Middle	4	14.3%	1,020	10.6%	31,443	13.4%	802,694	11.7%	13.7%
Upper	19	67.9%	6,590	68.8%	128,085	54.7%	4,015,382	58.5%	55.4%
Unknown	0	0.0%	0	0.0%	5,468	2.3%	277,794	4.0%	2.8%
Total	**28**		**9,583**		**234,357**		**6,863,591**		
2019									
Geographic	**Bank**				**Aggregate**				**Bus.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	5	29.4%	2,650	44.6%	27,951	10.8%	708,288	9.6%	9.4%
Moderate	3	17.6%	921	15.5%	45,070	17.4%	1,086,150	14.7%	17.7%
LMI	8	47.1%	3,571	60.2%	73,021	28.1%	1,794,438	24.3%	27.1%
Middle	3	17.6%	550	9.3%	40,830	15.7%	1,003,432	13.6%	16.0%
Upper	6	35.3%	1,815	30.6%	139,098	53.6%	4,220,048	57.2%	54.3%
Unknown	0	0.0%	0	0.0%	6,472	2.5%	354,880	4.8%	2.6%
Total	**17**		**5,936**		**259,421**		**7,372,798**		
2020									
Geographic	**Bank**				**Aggregate**				**Bus.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	2	15.4%	800	19.1%	26,095	9.8%	991,061	7.2%	9.4%
Moderate	3	23.1%	650	15.5%	44,336	16.6%	1,722,259	12.6%	17.5%
LMI	5	38.5%	1,450	34.6%	70,431	26.4%	2,713,320	19.8%	26.9%
Middle	0	0.0%	0	0.0%	40,571	15.2%	1,637,035	11.9%	15.7%
Upper	8	61.5%	2,738	65.4%	148,865	55.8%	8,695,589	63.4%	54.6%
Unknown	0	0.0%	0	0.0%	7,112	2.7%	671,420	4.9%	2.7%
Total	**13**		**4,188**		**266,979**		**13,717,364**		
GRAND TOTAL									
Geographic	**Bank**				**Aggregate**				**Bus.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	13	14.3%	7,129	21.8%	113,359	10.9%	3,203,907	8.9%	
Moderate	18	19.8%	7,242	22.2%	182,031	17.6%	5,195,726	14.4%	
LMI	31	34.1%	14,371	44.0%	295,390	28.5%	8,399,633	23.3%	
Middle	9	9.9%	2,130	6.5%	165,889	16.0%	4,841,641	13.4%	
Upper	51	56.0%	16,184	49.5%	551,136	53.2%	21,239,132	58.9%	
Unknown	-	0.0%	-	0.0%	24,428	2.4%	1,597,096	4.4%	
Total	**91**		**32,685**		**1,036,843**		**36,077,502**		

Construction and Land Development Loans:

The distribution of NECB's construction loans by the income level of the geography where the properties were located was excellent.

During the evaluation period, NECB originated 72.3% by number of loans and 67% by dollar value of its construction loans in LMI geographies. These results significantly exceeded the level of housing units in LMI census tracts in the assessment area, which ranged between 41% and 44% during the evaluation period. There were no aggregate results available for comparison purposes.

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

Distribution of Construction Lending by Geographic Income of the Census Tract					
2017					
Geographic	**Bank**				**Demographic Hsg**
Income	#	%	$000's	%	%
Low	32	19.9%	46,625	20.7%	15.9%
Moderate	77	47.8%	100,195	44.6%	25.3%
LMI	109	67.7%	146,820	65.3%	41.2%
Middle	11	6.8%	33,354	14.8%	23.5%
Upper	41	25.5%	44,700	19.9%	35.1%
Unknown	0	0.0%	0	0.0%	0.2%
Total	**161**		**224,874**		
2018					
Geographic	**Bank**				**Demographic Hsg**
Income	#	%	$000's	%	%
Low	55	27.9%	76,716	27.8%	19.6%
Moderate	95	48.2%	121,696	44.1%	24.6%
LMI	150	76.1%	198,412	71.9%	44.2%
Middle	18	9.1%	35,928	13.0%	17.2%
Upper	29	14.7%	41,767	15.1%	38.3%
Unknown	0	0.0%	0	0.0%	0.3%
Total	**197**		**276,107**		
2019					
Geographic	**Bank**				**Demographic Hsg**
Income	#	%	$000's	%	%
Low	42	26.3%	62,938	28.1%	16.3%
Moderate	77	48.1%	89,880	40.1%	25.0%
LMI	119	74.4%	152,818	68.2%	41.3%
Middle	16	10.0%	26,800	12.0%	20.2%
Upper	25	15.6%	44,550	19.9%	38.3%
Unknown	0	0.0%	0	0.0%	0.3%
Total	**160**		**224,168**		
2020					
Geographic	**Bank**				**Demographic Hsg**
Income	#	%	$000's	%	%
Low	32	34.4%	51,398	34.7%	16.3%
Moderate	32	34.4%	35,781	24.2%	25.0%
LMI	64	68.8%	87,179	58.9%	41.3%
Middle	7	7.5%	9,961	6.7%	20.2%
Upper	22	23.7%	50,979	34.4%	38.3%
Unknown	0	0.0%	0	0.0%	0.3%
Total	**93**		**148,119**		
GRAND TOTAL					
Geographic	**Bank**				**Demographic Hsg**
Income	#	%	$000's	%	%
Low	161	26.4%	237,677	27.2%	
Moderate	281	46.0%	347,552	39.8%	
LMI	442	72.3%	585,229	67.0%	
Middle	52	8.5%	106,043	12.1%	
Upper	117	19.1%	181,996	20.8%	
Unknown	-	0.0%	-	0.0%	
Total	**611**		**873,268**		

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

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

Community Development Test: Outstanding

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

NECB's overall levels of community development activities were considerably higher than in the previous examination, largely attributable to the volume of community development lending.

A more detailed description of NECB's community development activity follows:

Community Development Lending: Outstanding

During the evaluation period, NECB originated $317 million in new community development loans, and had none outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period. This was a significant increase from the $37.8 million originated during the previous evaluation period.

Virtually all of NECB's community development lending supported multifamily construction (paired with land acquisitions) in LMI geographies, with 75 loans totaling over $285 million in Bronx and Orange Counties. A majority of this lending qualified as affordable housing with a smaller significant portion qualifying as revitalization/stabilization. Overall, 38% by number and 44% by dollar value of the Bank's qualified community development lending activity occurred in 2020.

Community Development Loans				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
Purpose	# of Loans	$000	# of Loans	$000
Affordable Housing	72	222,672		
Economic Development	0	-		
Community Services	1	2,000		
Revitalization/Stabilization	16	92,410		
Total	89	317,082	0	0

Qualified Investments: Outstanding

During the evaluation period, NECB made $8.5 million in new qualified investments and had $4.2 million outstanding from prior evaluation periods. In addition, NECB made $45,624 in grants. This demonstrated an excellent level of qualified investments and grants over the course of the evaluation period. This was a significant increase from the $4 million invested during the prior evaluation period.

The Bank's qualified investments were made into a fund whose purpose is to help LMI communities throughout the assessment and municipal bonds supporting various infrastructure projects in an LMI area located in Orange County.

Qualified Investments and Grants				
	This Evaluation Period		**Outstandings from Prior Evaluation Periods**	
CD Investments	# of Inv.	$000	# of Inv.	$000
Affordable Housing	4	4,135	3	4,208
Economic Development	4	4,379		
Community Services				
Revitalization/Stabilization				
Total	8	8,514	3	4,208
CD Grants	# of Grants	$000	Not Applicable	
Affordable Housing				
Economic Development				
Community Services	14	36		
Revitalization/Stabilization	1	10		
Total	15	46		

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

- NECB invested $4.4 million in municipal bonds which helped finance several community projects in a low-income section of Orange County.

- DFS credited $4.1 million of an investment that NECB made into a mutual fund whose purpose is to provide support to LMI communities in the assessment area.

- ECB contributed $10,000 to a religious organization that provides disaster assistance for immigrants.

- NECB donated $10,000 to a nonprofit music organization in 2018 for tuition assistance for low-income children for musical education;

<u>Community Development Services:</u> Needs to Improve

Community Development Services	
Activity Type	**Number of Activities**
On-Going Board & Committee Memberships	
Technical Assistance	
Seminars	
Credit Counseling	
Other Services	2
Total Community Development Services	2

NECB demonstrated a less than adequate level of community development services over the course of the evaluation period. The Bank provided only 2 such services. Specifically:

- NECB offered its "Free Checking Account", the features of which include an initial deposit requirement of $5, no minimum balance and requirement and no monthly service fee to maintain the account, and unlimited check writing.
- The Bank's fee for overdrafts (both items paid and items returned) and returned deposit items was only $0.25. This can greatly aid LMI individuals, who may be more likely to incur such fees.

<u>Responsiveness to Community Development Needs</u>:

NECB demonstrated an excellent level of responsiveness to credit and community development needs. The Bank's focus on multifamily construction/land lending in several LMI communities within its assessment area and its high level of qualified investments demonstrates its efforts to meet the credit and overall community development needs of its assessment area.

<u>Additional Factors</u>

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

NECB's Board of Directors and its Audit Committee oversee the Bank's CRA program on an ongoing basis and approve the Bank's CRA Policy annually. At the Board level, the Directors monitor the CRA program through both regular Board meetings and Audit Committee meetings.

In Board meetings, Directors are briefed with CRA/HMDA/Fair Lending review results reports every quarter. The Internal Audit Department prepares and submits written internal reports to the Audit Committee for matters relating to compliance with CRA for their review, discussion, suggestion, recommendation and corrective actions where appropriate and necessary.

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

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

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

Record of opening and closing offices and providing services at offices

As of the evaluation date, NECB operated six full-service branches and two loan production offices in New York State.

During the evaluation period, NECB opened two branches in Orange County, one in the village of Kiryas Joel, in November 2018, located in a low-income tract, and another, in June 2019, located in the village of Monroe, in an upper-income tract. The Kiryas Joel branch is the first banking office to open in the village. Accordingly, NECB's record of opening and closing branches has improved the accessibility of its delivery systems to LMI geographies and/or LMI individuals.
The table below shows NECB's branch locations by county and census tract income level.

Distribution of Branches within the Assessment Area							
County	**N/A #**	**Low #**	**Moderate #**	**Middle #**	**Upper #**	**Total #**	**LMI %**
Bronx		1				1	100%
New York					2	2	0%
Orange		1			1	2	50%
Rockland					1	1	0%
Total	**-**	**2**	**-**	**-**	**4**	**6**	33%

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*.

NECB ascertains the community development and credit needs of its assessment area by regularly meeting with residents, businesses, and with religious and secular organizations. The main focus in recent years has been direct communication with religious groups and leaders who best know the communities where the Bank operates and is expanding.

In addition, the Bank's CEO and president often conduct "meet and greet" sessions with customers at the Bank's branches.

- *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*

  At the onset of the COVID-19 pandemic in the early spring of 2020, NECB changed its marketing strategy from advertising products and services to communicating stability and safety to customers and the public and to announce varying branch hours in response to state mandates. As part of this change, the Bank discontinued print advertising in local newspapers in New York and Bronx counties.

  NECB also relies heavily on word-of-mouth marketing within the communities it serves, such as through teams of lending officers and branch managers making the community aware of its lending programs, including multifamily, affordable housing construction lending. NECB has undertaken an active outreach program to market its lending programs, especially in the LMI communities in Orange and Rockland counties.

  NECB's website provides information on NECB's various lending and deposit products, as well as services offered for consumers and businesses.

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

NECB has changed its lending focus from permanent loans to affordable multifamily housing construction lending, partially in response to a critical community credit need caused in part by the loss, due to industry consolidation, of several banks that formerly provided such lending.

DFS examiners noted that the Bank donated $62,496 of its dividends on its investment in stock in the Federal Home Loan Bank of New York back to that organization's Affordable Housing Program.

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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

Small Business Loan

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

LMI Geographies

"LMI geographies" means those census tracts or block numbering areas where, according to the most current U.S. Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a MSA or Primary Metropolitan Statistical Area ("PMSA"), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of Block Numbering Areas ("BNAs") and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

"LMI borrowers" means borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the Federal Financial Institutions Examination Council ("FFIEC").

LMI Individuals/Persons

"LMI individuals" or "LMI persons" means individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by the FFIEC.

LMI Penetration Rate

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

Low-Income Housing Tax Credit ("LIHTC")

LIHTC were created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low-income Americans. The tax credits provide a dollar-for-dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

Minority Depository Institutions ("MDIs")

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

New Markets Tax Credit ("NMTC")

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

Qualified Investment

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

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

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%.