



PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION OF FIRST CENTRAL SAVINGS BANK

AS OF MARCH 31, 2022

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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FIRST CENTRAL SAVINGS BANK – CRA PERFORMANCE EVALUATION

I - GENERAL INFORMATION

This document is an evaluation (the “Evaluation”) of the Community Reinvestment Act (“CRA”) performance of First Central Savings Bank (“FCSB” 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 Bank’s CRA performance based on an evaluation conducted as of March 31, 2022.

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 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 Evaluation.

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II - OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated FCSB according to the intermediate small banking institutions performance criteria pursuant to Sections 76.7 and 76.12 of the GRS. The evaluation period included calendar years 2019, 2020 and 2021 for the lending test and the period from January 1, 2019 to March 31, 2022, for the community development test. FCSB is rated “2,” indicating a “Satisfactory” record of helping to meet community credit needs in compliance with regulatory standards.

The rating is based on the following factors:

A. Lending Test: Satisfactory

1. Loan-to-Deposit Ratio and Other Lending-Related Activities: Satisfactory

FCSB's average loan-to-deposit (“LTD”) ratio was satisfactory considering its size, business strategy, financial condition, and peer group activity.

FCSB's average LTD ratio of 93.4% for the evaluation period exceeded the peer's average LTD ratio of 84.9%.

2. Assessment Area Concentration: Satisfactory

During the evaluation period, FCSB originated 76.6% by number and 79.3% by dollar value of its HMDA-reportable and small business loans within the assessment area, demonstrating a satisfactory concentration of lending.

3. Distribution by Borrower Characteristics: Needs to Improve

FCSB's one-to-four family HMDA-reportable and small business lending demonstrated a less than satisfactory distribution of loans among individuals of different income levels and businesses of different revenue sizes. During the evaluation period, FCSB's rates of one-to-four family HMDA-reportable lending to LMI borrowers were 10.1% by number and 6.1% by dollar value, of one-to-four family loans, notably below the aggregate's respective rates of 14.2 % and 8.8%, respectively.

FCSB's lending to businesses with gross annual revenues of less than or equal to \$1 million averaged 75% by number and 68.6% by dollar value, well in excess of the aggregate's respective rates of 41.5% and 23.8%. However, because small business loans comprised only 11.4% by number and 6.1% by dollar value of total loans made inside the assessment area while HMDA-reportable loans comprised 88.6% by number and 93.9% by dollar value of loans made inside the assessment area, examiners gave greater weight to HMDA-reportable lending.

4. Geographic Distribution of Loans: Satisfactory

FCSB's origination of loans in census tracts of varying income levels demonstrated a satisfactory distribution of lending.

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During the evaluation period, FCSB originated 26.1% by number and 26.2% by dollar value of its HMDA-reportable loans in LMI geographies, comparing favorably the aggregate's rates of 17.4% and 22.7%, respectively.

However, FCSB's level of small business lending in LMI geographies underperformed the aggregate's rate in both number and dollar value of loans. FCSB originated 21.1% by number and 23% by dollar value of its small business loans in moderate-income geographies and none in low-income census tracts, while the aggregate's rates were 30.5% by number of loans and 28.4% by dollar value of small business loans in LMI census tracts.

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

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

B. Community Development Test: Outstanding

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

1. Community Development Lending: Outstanding

During the evaluation period, FCSB originated \$23.1 million in new community development loans and had \$13.7 million outstanding from prior evaluation periods. This demonstrated an outstanding level of community development lending over the course of the evaluation period.

The majority - \$20.5 million - of FCSB's new community development lending supported revitalization and stabilization, while the balance was for community services.

In addition to extending community development loans within the Bank's assessment area, one community development loan totaling \$2.5 million was originated within the broader statewide region.

2. Qualified Investments: Outstanding

During the evaluation period, FCSB made \$9.3 million in qualified investments and had no qualified investments outstanding from prior evaluation periods. In addition, FCSB made \$74,146 in qualified grants. This demonstrated an outstanding level of qualified investments over the course of the evaluation period.

3. Community Development Services: Satisfactory

FCSB demonstrated a satisfactory level of community development services over the course of the evaluation period.

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Over the course of the evaluation period, FCSB performed 60 community development services. Slightly more than half (36) of these activities consisted of memberships on boards and committees of organizations seeking to meet the needs of LMI communities in the Bank's assessment area.

4. Responsiveness to Community Development Needs:

FCSB demonstrated a satisfactory level of responsiveness to credit and community development needs.

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

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III - PERFORMANCE CONTEXT

A. Institution Profile

Chartered in 1999, FCSB is a privately-owned full-service savings bank headquartered in Glen Cove, New York. The Bank has one wholly owned subsidiary, FCOR, LLC, which is a real estate holding company.

FCSB operates eight full-service branches, seven located in Queens County, and one attached to its corporate headquarters in Nassau County. Supplementing the banking offices is an automated teller machine network (“ATM”) consisting of nine machines including one each at seven offices and two at its Astoria branch location. Two of its branches, each with an ATM, are located in LMI Census Tracts.

The Bank offers traditional banking products and services to individuals and businesses, such as checking, savings and time deposit accounts and lending products such as residential, commercial and multifamily mortgage loans. Services include online banking for both individuals and businesses and additional services for businesses such as remote deposit capture and cash management.

In its Consolidated Report of Condition (the “Call Report”) as of December 31, 2021, filed with the Federal Deposit Insurance Corporation (“FDIC”), FCSB reported total assets of \$763.8 million, of which \$639.1 million were net loans and lease financing receivables. It also reported total deposits of \$644 million, resulting in an LTD ratio of 99.24%. According to the latest available comparative deposit data as of June 30, 2021, FCSB obtained a market share of .03%, or \$609.4 million in a market of \$1.9 trillion, ranking it 58th among 113 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, 2019, December 31, 2020, and December 31, 2021, Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2019		2020		2021	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	86,505	17.3	197,647	33.6	311,859	48.2
Commercial & Industrial Loans	82,886	16.6	62,446	10.6	38,029	5.9
Commercial Mortgage Loans	223,350	44.6	219,749	37.3	220,693	34.1
Multifamily Mortgages	22,092	4.4	22,174	3.8	20,049	3.1
Consumer Loans	1	0.0	0	0.0	1	0.0
Construction Loans and Loans Secured by Land	85,278	17.0	86,399	14.7	56,343	8.7
Other Loans	194	0.0	518	0.1	92	0.0
Total Gross Loans	500,306		588,933		647,066	

At the start of the evaluation period, FCSB primarily engaged in commercial lending with its commercial and industrial loans, commercial mortgage loans, and construction loans comprising

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78.2% and 62.6%, respectively of the loan portfolio as of year-end 2019 and 2020, respectively. However, in November 2019, the Bank re-entered the 1-4 residential loan market. Over the course of the evaluation period, this resulted in a shift in the composition of the loan portfolio; by December 31, 2021, 1-4 family residential loans and multifamily loans comprised 51.3% of loans outstanding, while commercial and industrial loans, commercial mortgage loans, and construction loans comprised 48.7% of loans outstanding.

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

B. Assessment Area

The Bank's assessment area is comprised of Queens, Kings, and Nassau counties.

There are 1,714 census tracts in the Bank's assessment area, of which 118 are low-income, 434 are moderate-income, 692 are middle-income, 420 are upper-income, and 50 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Kings	14	95	260	230	162	761	46.6
Nassau	9	7	28	159	81	284	12.3
Queens	27	16	146	303	177	669	24.2
Total	50	118	434	692	420	1,714	32.2

C. Demographic & Economic Data

The assessment area had a population of 6,251,010 during the evaluation period. Approximately 13.4% of the population was over the age of 65 and 19.6% was under the age of 16. Of the 1,451,004 families in the assessment area 28.6% were low-income, 17.1% were moderate-income, 18.2% were middle-income and 36.2% were upper income. There were 2,153,070 households in the assessment area, of which 16.1% had income below the poverty level and 3.5% were on public assistance.

The weighted average of median family income in the assessment area was \$77,172.

There were 2,328,727 housing units within the assessment area, of which 60.8% were one- to-four family units and 39% were multifamily units. A majority (53.3%) of the housing units were rental units while 41.5% units were owner-occupied.

Of the total 1,186,015 rental-occupied units, 50.6% were in LMI census tracts while 49.4% were in middle- and upper-income census tracts. Average monthly gross rent was \$1,313.

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Of the 967,055 owner-occupied housing units, 17.9% were in LMI census tracts while 82.1% were in middle- and upper-income census tracts. The median age of the housing stock was 87 years, and the median home value in the assessment area was \$512,125.

There were 771,824 non-farm businesses in the assessment area. Of these, 93.4% were businesses with reported revenues of less than or equal to \$1 million, 2.3% reported revenues of more than \$1 million and 4.2% did not report their revenues. Of all the businesses in the assessment area, 97.5% were businesses with less than fifty employees while 96.7% operated from a single location. The largest industries in the area were services (32.9%), retail trade (11.4%), and finance, insurance and real estate (8.5%); 31.7% 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 during the evaluation period was 6.4%. Kings and Queens counties' respective average unemployment rates of 9% and 8.6% were higher than the average statewide level, while Nassau County's average unemployment rate of 4.2% was lower than the statewide average.

Business disruptions resulting from the COVID-19 pandemic caused unemployment to increase dramatically both statewide and in all counties in the Bank's assessment area in 2020. This trend was most apparent in Kings County, where unemployment spiked from 3.6% in 2019 to 15% in 2020. In 2021, unemployment rates decreased statewide and in the Bank's assessment area, but all levels remained higher than they had been in 2019. Within the Bank's assessment area, Nassau County experienced the lowest increase in unemployment in 2020, when its rate reached 5.8% compared to 3.3% in 2019. Furthermore, Nassau County's unemployment rate averaged 4.2% over the evaluation period, lower than the statewide average of 6.4% over the same time period.

Assessment Area Unemployment Rate				
	Statewide	Kings	Nassau	Queens
2019	3.5	3.6	3.3	3.1
2020	10.1	15.0	5.8	14.7
2021	5.7	8.4	3.4	7.9
Average of Years above	6.4	9.0	4.2	8.6

D. Community Information

DFS examiners interviewed representatives from two nonprofit organizations operating in the Bank's assessment area. One of the two organizations concentrates on economic development in Queens County, while the other one is dedicated to increasing and sustaining home ownership, also in Queens. The community representatives specifically noted the ethnically and linguistically diverse nature of Queens, its large immigrant communities, and the face-to-face, as opposed to digital, manner of doing business which members of these communities reportedly prefer. They stated that the lack of affordable housing inventory was a continuing and significant problem and that the COVID-19 pandemic resulted in severe reduction of business and personal income.

The first interviewee emphasized the importance of low-interest rate loans and grants for small businesses and mentioned the lack of community banks in parts of the assessment area; the need for financial services is reportedly filled in part by check cashing businesses charging high fees.

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The representative stated that several banks have been helpful, but emphasized that communities need bank branches staffed with employees who have skills in various languages. This interviewee also stated that several corporations and nonprofit organizations had provided vital support to the organization's mission.

The representative of the second organization stated that LMI homeowners often cannot afford repairs to stay in their homes and first-time homebuyers often can only afford homes in need of repair. High mortgage payments often leave homeowners unable to fund home repairs, leaving families to choose between making repairs, making monthly mortgage payments, and affording necessities such as healthcare, or being forced to sell their homes to investors. The interviewee stated that it would be helpful for banks to provide grants and loans for repairs, preventive maintenance, and energy upgrades for LMI homeowners. This contact additionally stated that branches in immigrant communities in Queens often have longer lines than those in non-immigrant communities. This representative stated that several banks had provided the organization with substantial support, but could be more helpful if they provided more public-facing services by keeping office staff to address the needs of these diverse communities and refrained from understaffing and/or closing such branches.

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IV - PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated FCSB under the intermediate small banking institution performance criteria in accordance with Sections 76.7 and 76.12 of the GRS, which consist of the lending test and the community development test.

The lending test includes:

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

The community development test includes:

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

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

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

DFS derived statistics employed in this Evaluation from various sources. FCSB submitted bank-specific information both as part of the Evaluation process and in all its reports 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 loan to deposit ("LTD") ratios from information shown in the Bank's Uniform Bank Performance Report, compiled by the FFIEC from call report data.

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

The evaluation period included calendar years 2019, 2020 and 2021 for lending activities and the period from January 1, 2019 to March 31, 2022 for community development activities.

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

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As FCSB made very few small farm loans, DFS based all analyses on small business lending only. HMDA-reportable and small business loan data evaluated in this Evaluation represented actual originations.

FCSB is not required to report small business and home mortgage loan data, accordingly, FCSB's small business and home mortgage lending is not included in the aggregate data. The aggregate data are shown only for comparative purposes.

Examiners gave greater weight to HMDA-reportable lending in this evaluation, as it represented 88.6% by number and 93.9% by dollar value of loans made inside the assessment area.

In its prior Community Reinvestment Act Performance Evaluation as of December 31, 2018, DFS assigned FCSB a rating of "2" or "Satisfactory" compliance with regulatory standards.

CRA Rating: Satisfactory

A. Lending Test:

FCSB's small business and HMDA-reportable lending activities were satisfactory in light of FCSB'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.

1. Loan-to-Deposit Ratio and other Lending-Related Activities: Satisfactory

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

The average LTD ratio of 93.4% exceeded the peer group's average of 84.9%. FCB's quarterly LTD ratios ranged from a low of 87.5% to a high of 99.2% during the evaluation period.

The table below shows FCSB's LTD ratios in comparison with the peer group's ratios for the 12 quarters of this evaluation.

Loan-to-Deposit Ratios													
	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	Avg.
Bank	89.5	91.5	92.6	87.5	98.9	94.3	91.2	97.6	94.3	93.7	90.7	99.2	93.4
Peer	91.2	90.5	90.7	90.7	90.6	87.9	85.7	82.5	79.1	77.5	76.6	76.0	84.9

2. Assessment Area Concentration: Satisfactory

During the evaluation period, FCSB originated 76.6% by number and 79.3% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating a satisfactory concentration of lending.

a. HMDA-Reportable Loans:

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During the evaluation period, FCSB originated 76.0% by number and 79.1% by dollar value of its HMDA-reportable loans within the assessment area.

This majority of lending inside of FCSB’s assessment area reflects a satisfactory concentration of lending.

b. Small Business Loans:

During the evaluation period, FCSB originated 80.9% by number and 82.0% by dollar value of its small business loans within the assessment area.

This majority of lending inside of FCSB’s assessment area reflects a reasonable concentration of lending.

The following table shows the percentages of the Bank’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										
2019	12	75.0%	4	25.0%	16	8,612	56.2%	6,702	43.8%	15,314
2020	211	75.1%	70	24.9%	281	141,935	80.3%	34,800	19.7%	176,735
2021	367	76.6%	112	23.4%	479	241,029	79.5%	61,976	20.5%	303,005
Subtotal	590	76.0%	186	24.0%	776	391,576	79.1%	103,478	20.9%	495,054
Small Business										
2019	16	76.2%	5	23.8%	21	7,200	77.6%	2,074	22.4%	9,274
2020	19	76.0%	6	24.0%	25	5,846	80.3%	1,436	19.7%	7,282
2021	41	85.4%	7	14.6%	48	12,423	85.8%	2,064	14.2%	14,487
Subtotal	76	80.9%	18	19.1%	94	25,469	82.0%	5,574	18.0%	31,043
Grand Total	666	76.6%	204	23.4%	870	417,045	79.3%	109,052	20.7%	526,097

3. Distribution by Borrower Characteristics: Needs to Improve

FCSB’s HMDA-reportable and small business lending demonstrated a less than satisfactory distribution of loans among individuals of different income levels and businesses of different revenue sizes.

a. One-to-four Family HMDA-Reportable Loans:

FCBS’s one-to-four family HMDA-reportable lending demonstrated a less than satisfactory distribution of loans among borrowers of different income levels.

During the evaluation period, FCSB’s rates of lending to LMI borrowers were 10.1% by number and 6.1% by dollar value of loans, contrasted with the to the aggregate’s rates of 14.2 % and 8.8%,

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respectively. Additionally, FCSB’s levels of lending were below the demographic levels of LMI families in all three years of the evaluation period.

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

Distribution of One-to-Four Family Loans by Borrower Income									
2019									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	2,209	3.1%	591,345	1.8%	28.6%
Moderate	1	8.3%	245	2.8%	7,966	11.3%	2,223,160	6.7%	17.1%
LMI	1	8.3%	245	2.8%	10,175	14.4%	2,814,505	8.5%	45.7%
Middle	2	16.7%	695	8.1%	16,518	23.3%	5,579,500	16.9%	18.2%
Upper	5	41.7%	2,416	28.1%	39,349	55.6%	21,717,745	65.7%	36.2%
Unknown	4	33.3%	5,256	61.0%	4,707	6.7%	2,931,445	8.9%	
Total	12		8,612		70,749		33,043,195		
2020									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	1.0%	644	0.5%	2,081	2.3%	606,335	1.4%	28.6%
Moderate	16	7.6%	5,527	3.9%	10,377	11.3%	3,213,395	7.3%	17.1%
LMI	18	8.6%	6,171	4.4%	12,458	13.6%	3,819,730	8.6%	45.7%
Middle	52	24.8%	26,413	18.7%	22,473	24.5%	8,467,255	19.2%	18.2%
Upper	90	42.9%	69,345	49.2%	51,189	55.9%	28,707,695	65.0%	36.2%
Unknown	50	23.8%	39,006	27.7%	5,508	6.0%	3,181,280	7.2%	
Total	210		140,935		91,628		44,175,960		
2021									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.3%	537	0.2%	2,876	2.5%	892,410	1.5%	28.6%
Moderate	39	10.7%	16,659	7.0%	13,600	12.0%	4,427,140	7.5%	17.1%
LMI	40	11.0%	17,196	7.2%	16,476	14.5%	5,319,550	9.0%	45.7%
Middle	111	30.6%	61,053	25.7%	28,363	25.0%	11,223,305	19.0%	18.2%
Upper	141	38.8%	106,088	44.7%	61,505	54.2%	38,160,455	64.5%	36.2%
Unknown	71	19.6%	52,941	22.3%	7,237	6.4%	4,457,835	7.5%	
Total	363		237,278		113,581		59,161,145		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	0.5%	1,181	0.3%	7,166	2.6%	2,090,090	1.5%	
Moderate	56	9.6%	22,431	5.8%	31,943	11.6%	9,863,695	7.2%	
LMI	59	10.1%	23,612	6.1%	39,109	14.2%	11,953,785	8.8%	
Middle	165	28.2%	88,161	22.8%	67,354	24.4%	25,270,060	18.5%	
Upper	236	40.3%	177,849	46.0%	152,043	55.1%	88,585,895	65.0%	
Unknown	125	21.4%	97,203	25.1%	17,452	6.3%	10,570,560	7.8%	
Total	585		386,825		275,958		136,380,300		

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b. Small Business Loans:

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

FCSB's lending to businesses with gross annual revenues of less than or equal to \$1 million averaged 75% by number and 68.6% by dollar value, well in excess of the aggregate's respective rates of 41.5% and 23.8%. However, because small business loans comprised only 11.4% by number and 6.1% by dollar value of total loans made inside the assessment area while HMDA-reportable loans comprised 88.6% by number and 93.9% by dollar value of loans made inside the assessment area, examiners gave greater weight to HMDA-reportable lending.

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

Distribution of Small Business Lending by Revenue Size of Business									
2019									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	10	62.5%	3,949	54.8%	98,224	49.0%	1,690,843	32.9%	91.1%
Rev. > \$1MM	6	37.5%	3,251	45.2%					4.0%
Rev. Unknown	0	0.0%	0	0.0%					4.9%
Total	16		7,200		200,474	49.0%	5,135,339	32.9%	
2020									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	9	47.4%	2,388	40.8%	73,867	37.0%	1,730,624	20.6%	93.1%
Rev. > \$1MM	10	52.6%	3,458	59.2%					3.0%
Rev. Unknown	0	0.0%	0	0.0%					3.9%
Total	19		5,846		199,757		8,384,581		
2021									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	38	92.7%	11,123	89.5%	95,561	39.1%	1,586,640	21.1%	93.4%
Rev. > \$1MM	3	7.3%	1,300	10.5%					2.3%
Rev. Unknown	0	0.0%	0	0.0%					4.2%
Total	41		12,423		244,544		7,519,730		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	57	75.0%	17,460	68.6%	267,652	41.5%	5,008,107	23.8%	
Rev. > \$1MM	19	25.0%	8,009	31.4%					
Rev. Unknown	0	0.0%	0	0.0%					
Total	76		25,469		644,775		21,039,650		

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4. Geographic Distribution of Loans: Satisfactory

FCSB's origination of loans in census tracts of varying income levels demonstrated a satisfactory distribution of lending.

a. HMDA-Reportable Loans:

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

During the evaluation period, FCSB originated 26.1% by number and 26.2% by dollar value of its HMDA-reportable loans in LMI geographies, comparing favorably the aggregates lending of 17.4% and 22.7%, respectively.

The following table provides a summary of the distribution of FCSB'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									
2019									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%	0	0.0%	2,177	3.0%	2,328,155	5.2%	2.3%
Moderate	3	25.0%	1,656	19.2%	10,946	15.1%	8,112,090	18.1%	15.6%
LMI	3	25.0%	1,656	19.2%	13,123	18.0%	10,440,245	23.3%	17.9%
Middle	7	58.3%	3,081	35.8%	34,731	47.8%	17,535,735	39.1%	48.7%
Upper	2	16.7%	3,875	45.0%	24,778	34.1%	16,847,310	37.5%	33.4%
Unknown		0.0%		0.0%	74	0.1%	46,230	0.1%	0.1%
Total	12		8,612		72,706		44,869,520		
2020									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	11	5.2%	8,727	6.1%	2,522	2.7%	2,172,580	4.0%	2.3%
Moderate	47	22.3%	30,099	21.2%	12,492	13.4%	9,160,910	16.9%	15.6%
LMI	58	27.5%	38,826	27.4%	15,014	16.1%	11,333,490	21.0%	17.9%
Middle	78	37.0%	47,590	33.5%	44,783	48.0%	21,271,735	39.3%	48.7%
Upper	75	35.5%	55,519	39.1%	33,390	35.8%	21,409,380	39.6%	33.4%
Unknown		0.0%		0.0%	80	0.1%	47,990	0.1%	0.1%
Total	211		141,935		93,267		54,062,595		
2021									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	2.2%	4,907	2.0%	3,453	3.0%	3,180,995	4.5%	2.3%
Moderate	85	23.2%	57,309	23.8%	17,353	15.0%	13,486,615	19.2%	15.6%
LMI	93	25.3%	62,216	25.8%	20,806	18.0%	16,667,610	23.7%	17.9%
Middle	162	44.1%	99,895	41.4%	53,779	46.5%	27,093,205	38.5%	48.7%
Upper	111	30.2%	78,064	32.4%	40,965	35.4%	26,595,375	37.8%	33.4%
Unknown	1	0.3%	854	0.4%	111	0.1%	50,895	0.1%	0.1%
Total	367		241,029		115,661		70,407,085		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	19	3.2%	13,634	3.5%	8,152	2.9%	7,681,730	4.5%	
Moderate	135	22.9%	89,064	22.7%	40,791	14.5%	30,759,615	18.2%	
LMI	154	26.1%	102,698	26.2%	48,943	17.4%	38,441,345	22.7%	
Middle	247	41.9%	150,566	38.5%	133,293	47.3%	65,900,675	38.9%	
Upper	188	31.9%	137,458	35.1%	99,133	35.2%	64,852,065	38.3%	
Unknown	1	0.2%	854	0.2%	265	0.1%	145,115	0.1%	
Total	590		391,576		281,634		169,339,200		

b. Small Business Loans:

The distribution of FCSB’s small business loans among census tracts of varying income levels was less than satisfactory.

During the evaluation period, FCSB’s rate of small business lending in LMI geographies underperformed the aggregate’s rate in both number and dollar value of loans. FCSB originated 21.1% by number and 23% by dollar value of its small business loans in moderate-income

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geographies and none in low-income census tracts, while the aggregate's rates were 30.5% by number of loans and 28.4% by dollar value of small business loans in LMI census tracts.

DFS Examiners noted an improvement in FCSB's rates of small business lending in LMI geographies in 2021, but its levels still remained well those of the aggregate. Additionally, FCSB's rates of small business lending were below the demographic level of small businesses in all years of the assessment period.

The following table provides a summary of the distribution of FCSB'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									
2019									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	16,137	8.0%	401,420	7.8%	6.2%
Moderate	4	25.0%	2,564	35.6%	46,574	23.2%	1,172,886	22.8%	23.6%
LMI	4	25.0%	2,564	35.6%	62,711	31.3%	1,574,306	30.6%	29.8%
Middle	5	31.3%	1,510	21.0%	77,891	38.8%	1,998,258	38.9%	41.2%
Upper	7	43.8%	3,126	43.4%	58,003	28.9%	1,440,841	28.0%	28.4%
Unknown	0	0.0%	0	0.0%	1,973	1.0%	123,966	2.4%	0.6%
Total	16		7,200		200,578		5,137,371		
2020									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	14,162	7.1%	522,736	6.2%	6.5%
Moderate	2	10.5%	404	6.9%	44,943	22.5%	1,753,889	20.9%	23.8%
LMI	2	10.5%	404	6.9%	59,105	29.6%	2,276,625	27.1%	30.3%
Middle	10	52.6%	3,715	63.5%	79,703	39.9%	3,434,650	40.9%	40.6%
Upper	7	36.8%	1,727	29.5%	59,122	29.6%	2,515,332	30.0%	28.5%
Unknown	0	0.0%	0	0.0%	1,914	1.0%	162,218	1.9%	0.6%
Total	19		5,846		199,844		8,388,825		
2021									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	16,671	6.8%	483,955	6.4%	6.9%
Moderate	10	24.4%	2,881	23.2%	58,505	23.9%	1,654,313	21.8%	24.5%
LMI	10	24.4%	2,881	23.2%	75,176	30.7%	2,138,268	28.2%	31.4%
Middle	21	51.2%	7,325	59.0%	98,695	40.4%	3,044,430	40.1%	40.5%
Upper	10	24.4%	2,217	17.8%	67,733	27.7%	2,157,968	28.4%	27.6%
Unknown	0	0.0%	0	0.0%	2,940	1.2%	244,544	3.2%	0.6%
Total	41		12,423		244,544		7,585,210		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	46,970	7.3%	1,408,111	6.7%	
Moderate	16	21.1%	5,849	23.0%	150,022	23.3%	4,581,088	21.7%	
LMI	16	21.1%	5,849	23.0%	196,992	30.5%	5,989,199	28.4%	
Middle	36	47.4%	12,550	49.3%	256,289	39.7%	8,477,338	40.2%	
Upper	24	31.6%	7,070	27.8%	184,858	28.7%	6,114,141	29.0%	
Unknown	0	0.0%	0	0.0%	6,827	1.1%	530,728	2.5%	
Total	76		25,469		644,966		21,111,406		

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

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

B. Community Development Test:

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

During the evaluation period, FCSB originated \$23.1 million in new community development loans, and still had \$13.7 million outstanding from prior evaluation periods. Also, during the evaluation period, FCSB made \$9.3 million in new qualified investments and had no qualified investments outstanding from the prior period. FCSB made \$74,146 in qualified grants.

A more detailed description of the FCSB’s community development activity follows:

1. Community Development Lending: Outstanding

During the evaluation period, FCSB originated \$23.1 million in new community development loans, and had \$13.7 million outstanding from prior evaluation periods. This demonstrated an outstanding level of community development lending over the course of the evaluation period.

In addition to extending community development loans within the Bank’s assessment area, one community development loan totaling \$2.5 million was originated within the broader statewide region.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	0	-	1	6,420
Economic Development	0	0	1	1,675
Community Services	2	2,650	2	5,591
Other - Revitalization & Stabilization	5	20,495	0	0
Total	7	23,145	4	13,686

Below are highlights of FCSB’s community development lending.

- FCSB provided a \$2.1 million loan to a local community services organization which offers educational programs for children and adolescents in a moderate-income census tract in Queens County

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- FCSB extended a \$6.5 million loan to convert a vacant building in a low-income census tract in Kings County (Brooklyn) into a multi-story boutique hotel. The project is expected to help revitalize the neighborhood and create long-term job opportunities, including for LMI individuals.
- FCSB provided a \$5.6 million loan for the construction of a 68-residential units and retail mixed use apartment building in a moderate-income census tract in Brooklyn in which 20% of the apartments will be allocated as affordable housing for LMI tenants. The loan is expected to help revitalize the neighborhood by attracting and retaining businesses and residents.
- FCSB extended a \$5.6 million loan to finance a newly constructed multi-family building in a moderate-income census tract in Brooklyn. Thirty per cent (30%) of the units in the building will be rented to LMI individuals. The loan is expected to help revitalize the neighborhood by attracting and retaining residents.

2. Qualified Investments: Outstanding

During the evaluation period, FCSB made \$9.3 million in new qualified investments and had no qualified investments outstanding from prior evaluation periods. In addition, FCSB made \$74,146 in qualified grants. This demonstrated an outstanding level of qualified investments over the course of the evaluation period.

Total qualified investments of \$9.3 million (including grants) constituted an increase of 728.1% compared to the prior evaluation level of \$1.1 million.

Qualified Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing				
Economic Development	4	9,250		
Community Services				
Revitalize and Stabilize				
Total	4	9,250	0	0
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	0	-		
Economic Development	8	16		
Community Services	44	58		
Revitalize and Stabilize				
Total	52	74		

Below are highlights of the FCSB’s qualified investments and grants:

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Investments

- FCSB invested \$9.3 million in a minority depository institution (“MDI”) which specializes in serving minority and low-income communities that are disproportionately unbanked.

Grants

- FCSB donated a total of \$13,500 to a nonprofit organization whose purpose is to support literacy and educational programs for LMI individuals. The funds supported financial literacy training in LMI communities and educational initiatives related to climate change.
- FCSB provided grants totaling \$12,500 to a nonprofit organization that provides grants and scholarships programs to students throughout a school district located in a moderate-income geography. Sixty-nine per cent (69%) of the students in the district are eligible for free or reduced-price lunch.
- FCSB contributed \$6,500 to a Queens-based youth development organization which serves LMI youths. The organization provides programs designed to empower youth to excel in school.
- FCSB donated a total of \$5,000 to an organization whose mission is to promote LMI children’s literacy and social development.
- FCSB donated a total of \$3,500 to a nonprofit organization that advocates for women's rights and provides women with the support and skills they need to prosper in the workforce. The grant sponsored programs to improve energy efficiency and climate resiliency through education.

3. Community Development Services - Satisfactory

FCSB demonstrated a satisfactory level of community development services over the course of the evaluation period.

Community Development Services	
Activity Type	Number of Activities
On-Going Board & Committee Memberships (1)	36
Technical Assistance	0
Seminars	21
Credit Counseling	0
Other Services	3
Total Community Development Services	60

Slightly more than half (36) of FSB’s community development services consisted of memberships on boards and committees of organizations seeking to meet the needs of LMI communities in the

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Bank's assessment area. The remainder of the Bank's community development service activities during the evaluation period focused on seminars, especially in the areas of financial literacy and work skills.

Below are highlights of FCSB's community development services:

- Five of the Bank's officers provided financial literacy classes to members of a youth education and development organization which serves LMI member youths. The organization provides programs designed to empower youth to excel in school.
- An executive vice president serves on the board of directors of a nonprofit agency that provides shelter for homeless women and children.
- A vice president and business development officer serves on the planning committee of an environmentally-focused organization dedicated to educating children and adults (including LMI children and adults) in the New York metropolitan area, and advocating for sustainable environmental policies, practices and restoration in Queens County.
- A high-level Bank executive serves as an officer of an educational organization which provides scholarships to high school students from LMI communities.
- FCSB hosted financial literacy training targeted toward small business owners from LMI communities.

Responsiveness to Community Development Needs:

FCSB demonstrated a satisfactory level of responsiveness to credit and community development needs.

A. Additional Factors

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.

FCSB's Board of Directors reviews and reaffirms the Bank's CRA policy annually. FCSB's CRA program provides for a CRA Committee which consists of the Bank's Chief Retail Banking Officer, Chief Lending Officer, Chief Financial Officer, CRA Officer, President and other senior staff tasked with the responsibilities to ensure the Bank's compliance with the CRA. Additionally, The CRA Officer is responsible for monitoring the Bank's CRA activities and submits a monthly report of the Bank's CRA performance to the board for its review.

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

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

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

3. Record of opening and closing offices and providing services at offices

FCSB did not open or close any branches during the evaluation period.

As of the evaluation date, FCSB operated eight full-service retail branches located in Queens and Nassau counties. Two of the eight branches are located in LMI geographies.

Branches are typically open Monday through Friday from 8:30 AM to 4:00 PM. The Whitestone and Astoria branches have extended hours on Fridays until 6:00 PM. All branches except the Flushing branch are open on Saturdays from 9:00 AM to 1:00 PM. The Flushing branch is open on Sundays from 10:00 AM to 2:00 PM.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
NASSAU		1				1	100%
QUEENS			1	3	3	7	14%
Total	-	1	1	3	3	8	25%

4. 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.*

Various Bank officers are members of nonprofit and community organizations and maintain one-on-one contacts with individuals and organizations regarding credit and borrowing needs, and senior officers served as board members of local community organizations to help ascertain the credit and banking needs of the community.

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Bank staff provided financial literacy and credit repair seminars as well as information on products and services to LMI communities. Attendees included students and small businesses.

- 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

FCSB advertises its products and services through local newspapers and publications. The Bank also utilizes its website, social media, and branch merchandising to advertise its products. Business development officers also promote their products and services through direct, in-person and word-of-mouth publicity in the communities they serve.

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

FCSB has been responsive to the COVID-19 pandemic by implementing temporary procedures to assist customers facing financial hardship. For example, the Bank accommodated customers by allowing reimbursement of transaction fees and CD withdrawal penalty waivers.

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

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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.

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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

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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;
- 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.