



**NEW YORK STATE  
DEPARTMENT OF FINANCIAL SERVICES  
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION**

One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2014

**Institution:** Flushing Bank  
220 RXR Plaza  
Uniondale, NY 11556

**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 Flushing Bank (“FB”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s first assessment of the institution’s CRA performance based on an evaluation conducted as of December 31, 2014.

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 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 the 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.

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## **OVERVIEW OF INSTITUTION'S PERFORMANCE**

DFS evaluated Flushing Bank ("FB") according to the large bank performance criteria pursuant to Part 76.8, 76.9 and 76.10 of the General Regulations of the Superintendent ("GRS"). The assessment period included calendar years 2012, 2013 and 2014. FB is rated "2," indicating a "**Satisfactory**" record of helping to meet community credit needs.

This rating is based on the following factors:

### **LENDING TEST:** "High Satisfactory"

FB's HMDA-reportable and small business lending activities were reasonable in light of its size, business strategy and financial condition as well as the activity of the aggregate and FB's peer group and the demographics and credits needs of the assessment area. FB's community development loans, primarily for affordable housing, demonstrated a more than reasonable level of community development lending.

- **Lending Activity:** "Outstanding"

FB's lending activity was excellent considering peer group activity. FB's average loan-to-deposit ratio for the evaluation period was 104.2%, which significantly exceeded its peer group ratio of 81.2%.

- **Assessment Area Concentration:** "Outstanding"

During the evaluation period, FB originated 99.1% by number and 99.2% by dollar value of HMDA-reportable and small business loans inside its assessment area. This substantial majority of lending inside the assessment area was an excellent record of lending.

- **Geographic Distribution of Loans:** "Outstanding"

FB's lending demonstrated an excellent distribution of loans among census tracts of varying income levels. In particular, FB's HMDA-reportable and small business lending demonstrated an excellent rate of lending in low- and moderate-income census tracts.

- **Distribution by Borrower Characteristics:** "Needs to Improve"

FB's 1-4 family HMDA-reportable lending based on borrower characteristics demonstrated a poor distribution among individuals of different income levels. Specifically, FB did not originate any 1-4 family HMDA-reportable loans to low-income individuals and only two loans to moderate-income individuals during the evaluation period. FB's small business lending demonstrated a reasonable distribution of loans to businesses of different revenue sizes.

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- **Community Development Lending:** “High Satisfactory”

During the evaluation period, FB made \$430.8 million in community development loans demonstrating a more than reasonable level of community development lending over the course of the evaluation period.

FB’s community development loans were primarily to finance or refinance multifamily properties or to make improvements to multifamily properties providing affordable housing to low- and moderate-income individuals and families.

**INVESTMENT TEST:** “High Satisfactory”

FB’s community development investments were more than reasonable considering the assessment area’s credit needs.

During the evaluation period, FB made \$47.9 million in community development investments and \$131,000 in community development grants.

**SERVICE TEST:** “High Satisfactory”

- **Retail Banking Services:** “High Satisfactory”

FB has a more than reasonable branch network, branch hours and services, and alternative delivery systems available to LMI individuals.

- **Community Development Services:** “High Satisfactory”

FB provided a relatively high level of community development services.

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

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## **PERFORMANCE CONTEXT**

### **Institution Profile**

Flushing Bank (“FB”) is a New York State chartered full service commercial bank headquartered in Uniondale, New York. FB was formed on February 28, 2013, when Flushing Commercial Bank<sup>1</sup> merged with Flushing Savings Bank.<sup>2</sup> The merged bank was renamed Flushing Bank on March 1, 2013. FB is a wholly owned subsidiary of Flushing Financial Corporation, a bank holding company.

FB provides a full array of traditional banking services and products including deposits, loans and cash management services. In addition, FB offers online banking with bill payment option and mobile banking. FB is primarily a commercial and multifamily mortgage lender. FB also operates an online banking division IGObanking.com, which provides competitively priced deposit products nationwide.

Per the Consolidated Report of Condition (the “Call Report”) as of December 31, 2014, filed with the Federal Deposit Insurance Corporation (“FDIC”), FB reported total assets of \$5.1 billion, of which \$3.8 billion were net loans and lease financing receivables. It also reported total deposits of \$3.5 billion, resulting in a loan-to-deposit ratio of 108.4%. According to the latest available comparative deposit data as of June 30, 2014, FB had a market share of 0.28%, or \$3.3 billion in a market of \$1.2 trillion, ranking it 28<sup>th</sup> among 135 deposit-taking institutions in the assessment area.

The following is a summary of FB’s loan portfolio, based on Schedule RC-C of the bank’s December 31, 2012, 2013 and 2014 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
Loan Type	2012		2013		2014	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	850,890	26.3	806,431	23.5	777,622	20.4
Commercial & Industrial Loans	200,308	6.2	244,500	7.1	306,245	8.0
Commercial Mortgage Loans	613,913	19.0	627,304	18.3	768,660	20.2
Multifamily Mortgages	1,544,008	47.7	1,721,059	50.1	1,929,855	50.6
Consumer Loans	231	0.0	180	0.0	206	0.0
Construction Loans	30,082	0.9	17,075	0.5	11,231	0.3
Other Loans		0.0	18,054	0.5	16,554	0.4
Total Gross Loans	3,239,432	100	3,434,603	100	3,810,373	100

As illustrated in the above table, FB is primarily a commercial lender with 78.8% of its 2014 loan portfolio in commercial & industrial, multifamily mortgage and commercial mortgage loans. FB’s 1-4 family residential loans made up 20.4% of its loan portfolio.

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<sup>1</sup> A New York State chartered commercial bank, regulated by DFS.

<sup>2</sup> A federally chartered savings bank, regulated by the Office of the Comptroller of the Currency (OCC).

FB's loan portfolio increased 17.6% during the evaluation period. This growth was primarily driven by a 25.0% increase in its multifamily loan portfolio. During the same period FB's 1-4 family residential loan portfolio decreased by 8.6%.

FB operates 17 banking offices in four counties: nine in Queens County, five in Kings County, two in Nassau County and one in New York County. FB's branch network is supplemented by 32 automated teller machines ("ATMs") that FB owns and operates. Each branch office has at least one ATM.

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

### **Assessment Area**

FB's assessment area is comprised of the following counties: Bronx, Kings, Nassau, New York, Putnam, Queens, Richmond, Rockland, Suffolk and Westchester.

There are 3,082 census tracts in the area, of which 358 are low-income, 763 are moderate-income, 1,076 are middle-income, 806 are upper-income and 79 are tracts with no income indicated.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	10	143	97	60	29	339	70.8
Kings	13	125	295	213	115	761	55.2
Nassau	8	9	26	157	84	284	12.3
New York	12	44	61	25	146	288	36.5
Putnam	0	0	0	12	7	19	0.0
Queens	26	21	169	314	139	669	28.4
Richmond	3	3	11	33	61	111	12.6
Rockland	0	4	6	10	45	65	15.4
Suffolk	1	4	70	197	51	323	22.9
Westchester	6	5	28	55	129	223	14.8
<b>Total</b>	<b>79</b>	<b>358</b>	<b>763</b>	<b>1,076</b>	<b>806</b>	<b>3,082</b>	<b>36.4</b>

### **Demographic & Economic Data**

The assessment area had a population of 12.4 million during the examination period. About 12.6% of the population were over the age of 65, and 19.7% were under the age of sixteen.

Of the 2.9 million families in the assessment area, 26.6% were low-income, 16.9%

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were moderate-income, 18.2% were middle-income and 38.3% were upper-income families. There were 4.5 million households in the assessment area, of which 14.4% had income below the poverty level and 3.3% were on public assistance.

The weighted average of the median family income within the assessment area was \$80,815. Bronx and Kings counties had weighted average median family incomes significantly lower than the MSA. The average family incomes for these counties was \$42,639 and \$54,363, respectively. Queens County had a MSA median family income of \$64,928. Nassau, New York, Putnam, Richmond, Rockland, Suffolk and Westchester counties MSA median family income exceeded the average MSA income in the assessment area. Westchester County had the highest MSA family income with an average of \$114,927.

There were 4.9 million housing units within the assessment area, of which 53.8% were one-to-four family units, and 45.9% were multifamily units. A majority (48.6 %) of the area's housing units were renter-occupied, while 42.8% were owner occupied units.

Of the 2.4 million rental occupied housing units, 54.3% were in low- and moderate-income census tracts while 45.7% were in middle- and upper-income census tracts. Of the ten counties in the assessment area, the Bronx had the highest percentage of rental units in low- and moderate-income census tracts at 84.8%. Weighted average monthly gross rent for the assessment area was \$1,152 while Bronx County had the lowest at \$905. Of the 2.1 million owner-occupied housing units, 18.0% were in low- and moderate-income census tracts while 82.0% were in middle- and upper-income census tracts. The median age of the housing stock was 66 years and the median home value in the assessment area was \$519,370.

There were 942,365 non-farm businesses in the assessment area. Of these, 73.3% were businesses with reported revenues of less than or equal to \$1 million, 5.6% reported revenues of more than \$1 million and 21.1% did not report their revenues. Of all the businesses in the assessment area, 80.4% were businesses with less than fifty employees while 93.2% operated from a single location. The largest industries in the area were services (45.7%), retail trade (14.3%) and finance, insurance and real estate (8.7%) while 12.2% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State was 6.3% for the year 2014, showing a 26% drop from 2012. Statewide and county unemployment rates trended lower during the 3-year evaluation period.

Among the 10 counties, Bronx had the highest 3-year average unemployment rate at 11.3%, while Nassau had the lowest rate at 5.9%. The unemployment rate for Bronx County remained substantially higher than the statewide average over the 3-year evaluation period.



Assessment Area Unemployment Rate											
Year	Statewide	Bronx	Kings	Nassau	New York	Putnam	Queens	Richmond	Rockland	Suffolk	Westchester
2014	6.3	9.8	7.7	4.8	6.1	4.9	6.4	7.2	5.1	5.3	5.1
2013	7.7	11.7	9.4	5.9	7.4	6.1	7.7	8.7	6.2	6.5	6.3
2012	8.5	12.5	9.8	7.0	8.0	7.1	8.3	9.3	7.2	7.8	7.3
<b>Ave-3 yrs</b>	<b>7.5</b>	<b>11.3</b>	<b>9.0</b>	<b>5.9</b>	<b>7.2</b>	<b>6.0</b>	<b>7.5</b>	<b>8.4</b>	<b>6.2</b>	<b>6.5</b>	<b>6.2</b>

### **Community Information**

DFS received a comment letter (dated March 30, 2015), about FB’s current CRA performance evaluation. The letter was from a not-for-profit coalition comprised of affordable housing and equitable economic development organizations. It noted that the organization appreciated FB’s overall lending volume and lending in LMI census tracts, but expressed concern about lending to “bad-actor” landlords who own rental buildings that are in physical and financial distress. The letter also noted that ten multifamily properties financed by FB exhibited the likelihood of physical and/or financial distress as gauged by a Building Indicator Project (“BIP”)<sup>3</sup> score more than 800. The BIP score is a measure developed by the University Neighborhood Housing Program that is based on a combination of violations, liens and fines reported by New York City’s Department of Housing Preservation and Development and other New York City entities that DFS uses in CRA evaluations.

Examiners also interviewed the interim chief executive officer (“CEO”) of another nonprofit community revitalization organization with the mission of creating and preserving affordable housing. The organization operates primarily within the five boroughs of New York City. The interim CEO commended FB for being a long-term partner with the organization by volunteering, making donations and serving on the advisory committee. He also identified the need for small business financing and micro-financing in LMI communities and financial assistance for senior citizens on fixed incomes to perform emergency repairs and other work on their homes.

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<sup>3</sup> Based on numerous physical inspections and feedback from BIP users, a “BIP” score of 800 or more indicates that the building is likely to be in physical and/or financial distress.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*DFS evaluated Flushing Bank (“FB”) under the large bank performance standards in accordance with GRS Parts 76.8, 76.9 and 76.10, which consist of the lending, investment and service tests. DFS also considered the following factors in assessing the bank’s record of performance:*

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

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

DFS derived statistics employed in this evaluation from various sources. FB submitted bank-specific information both as part of the examination process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council (“FFIEC”) and deposit data were obtained from the FDIC. DFS calculated loan-to-deposit ratios from information shown in the Bank’s Uniform Bank Performance Report submitted to the FDIC.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census (“Census”) and FFIEC. DFS based business data on Dun & Bradstreet (“D&B”) reports which D&B updates annually. DFS obtained unemployment data from the New York State Department of Labor. Some non-specific bank data were only available on a county-wide basis, and were used even where the institution’s assessment area includes partial counties.

The evaluation period included calendar years 2012, 2013 and 2014.

Examiners considered FB’s HMDA-reportable and small business loans in evaluating factors (2), (3) and (4) of the lending test noted below. HMDA-reportable loans made up 72.3% while small business loans made up 27.7% of the total loans by dollar volume originated inside the assessment area.

This is DFS’ **first** CRA Performance Evaluation of FB, a New York State-chartered commercial bank that was formed in 2013 from the merger of Flushing Commercial Bank and Flushing Savings Bank.

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**Current CRA Rating: “Satisfactory”**

**LENDING TEST: “High Satisfactory”**

*The bank’s lending performance was evaluated pursuant to the following criteria:*

- (1) Lending Activity;*
- (2) Assessment Area Concentration;*
- (3) Geographic Distribution of Loans;*
- (4) Borrower Characteristics;*
- (5) Community Development Lending; and*
- (6) Flexible and/or Innovative Lending Practices*

FB’s HMDA-reportable, small business and community development lending activities were reasonable considering size, business strategy and financial condition, as well as aggregate and peer group activity and the demographics and credit needs of the assessment area.

**Lending Activity: “Outstanding”**

FB’s lending activity was excellent considering its business strategy and peer group activity.

FB’s average loan-to-deposit (“LTD”) ratio, for the evaluation period, was 104.2% significantly exceeding its peer group’s<sup>1</sup> average ratio of 81.2%. Furthermore, FB’s quarterly LTD ratio remained above 100.0% for every quarter of the evaluation period.

<b>Loan-to-Deposit Ratios (LTD)</b>													
	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	Avg.
Bank	100.4	101.6	101.4	105.8	101.7	105.6	103.6	104.8	102.9	107.5	107.3	107.7	104.2
Peer	80.3	80.5	82.9	85.3	78.1	79.9	79.6	80.6	80.4	81.7	82.7	82.7	81.2

**Assessment Area Concentration: “Outstanding”**

During the evaluation period, FB originated 99.1% by number and 99.2% by dollar value of all HMDA-reportable and small business loans inside of its assessment area. This substantial majority was an excellent concentration of lending inside the assessment area.

**HMDA-Reportable Loans:**

FB originated 99.2% by number and 99.8% by dollar value of its HMDA-reportable loans within its assessment area. This substantial majority of lending in the assessment area

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<sup>1</sup> Peer group – Insured commercial banks having assets greater than \$3 billion.

was an excellent concentration of lending.

*Small Business Loans:*

FB originated 98.9% by number and 97.8% by dollar value of its small business loans within its assessment area. This substantial majority of lending in the assessment area was an excellent concentration of lending.

The following table shows the percentages of FB’s HMDA-reportable and small business loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>HMDA-Reportable</b>										
2012	132	99.2%	1	0.8%	133	65,796	99.5%	300	0.5%	66,096
2013	151	98.7%	2	1.3%	153	86,234	99.8%	180	0.2%	86,414
2014	111	100.0%	-	0.0%	111	68,663	100.0%	-	0.0%	68,663
Subtotal	394	99.2%	3	0.8%	397	220,693	99.8%	480	0.2%	221,173
<b>Small Business</b>										
2012	27	100.0%	-	0.0%	27	13,699	100.0%	-	0.0%	13,699
2013	63	100.0%	-	0.0%	63	29,909	100.0%	-	0.0%	29,909
2014	84	97.7%	2	2.3%	86	41,111	95.5%	1,950	4.5%	43,061
Subtotal	174	98.9%	2	1.1%	176	84,719	97.8%	1,950	2.2%	86,669
Grand Total	568	99.1%	5	0.9%	573	305,412	99.2%	2,430	0.8%	307,842

**Geographic Distribution of Loans: “Outstanding”**

FB lending demonstrated an excellent distribution of loans among census tracts of varying income levels. In particular, FB’s HMDA-reportable and small business lending demonstrated an excellent rate of lending in LMI census tracts.

*HMDA-Reportable Loans:*

The dispersion of FB’s HMDA-reportable loans by the income level of the geography where the loan was made demonstrated an excellent distribution of lending, primarily due to FB’s multifamily lending.

During the evaluation period, FB originated 55.3% by number and 57.4% by dollar value of HMDA-reportable loans in LMI census tracts. FB’s rate of lending in LMI census tracts significantly exceeded the aggregate’s rates of 14.8% by number and 16.0% by dollar value of loans.

The following table provides a summary of FB’s HMDA-reportable lending distribution by the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2012									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	19	14.4%	11,989	18.2%	2,953	2.1%	1,784,722	2.8%	2.1%
Moderate	47	35.6%	22,864	34.7%	15,645	10.9%	6,477,592	10.3%	13.8%
LMI	66	50.0%	34,853	53.0%	18,598	12.9%	8,262,314	13.1%	15.9%
Middle	37	28.0%	16,242	24.7%	53,144	36.9%	18,280,205	29.0%	40.9%
Upper	29	22.0%	14,701	22.3%	71,995	50.0%	36,250,965	57.5%	43.2%
Unknown		0.0%		0.0%	253	0.2%	276,400	0.4%	
<b>Total</b>	<b>132</b>		<b>65,796</b>		<b>143,990</b>		<b>63,069,884</b>		<b>100.0%</b>
2013									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	24	15.9%	15,140	17.6%	3,208	2.3%	2,150,169	3.4%	2.1%
Moderate	56	37.1%	30,237	35.1%	16,560	12.0%	7,526,921	11.7%	13.8%
LMI	80	53.0%	45,377	52.6%	19,768	14.3%	9,677,090	15.1%	15.9%
Middle	44	29.1%	20,569	23.9%	50,754	36.6%	18,043,587	28.2%	40.9%
Upper	27	17.9%	20,288	23.5%	67,838	49.0%	36,211,797	56.5%	43.2%
Unknown		0.0%		0.0%	130	0.1%	151,595	0.2%	
<b>Total</b>	<b>151</b>	<b>100.0%</b>	<b>86,234</b>	<b>100.0%</b>	<b>138,490</b>	<b>100.0%</b>	<b>64,084,069</b>	<b>100.0%</b>	<b>100.0%</b>
2014									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	20	18.0%	10,021	14.6%	2,984	3.1%	2,812,744	5.4%	2.5%
Moderate	52	46.8%	36,391	53.0%	14,708	15.2%	7,967,489	15.3%	15.5%
LMI	72	64.9%	46,412	67.6%	17,692	18.2%	10,780,233	20.7%	18.0%
Middle	25	22.5%	14,507	21.1%	38,674	39.8%	14,936,305	28.7%	42.8%
Upper	14	12.6%	7,744	11.3%	40,628	41.9%	26,295,263	50.5%	39.3%
Unknown		0.0%		0.0%	81	0.1%	92,233	0.2%	
<b>Total</b>	<b>111</b>	<b>100.0%</b>	<b>68,663</b>	<b>100.0%</b>	<b>97,075</b>		<b>52,104,034</b>		<b>100.0%</b>
GRAND TOTAL									
Geographic Income	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	63	16.0%	37,150	16.8%		2.4%		3.8%	
Moderate	155	39.3%	89,492	40.6%		12.4%		12.3%	
LMI	218	55.3%	126,642	57.4%		14.8%		16.0%	
Middle	106	26.9%	51,318	23.3%		37.6%		28.6%	
Upper	70	17.8%	42,733	19.4%		47.5%		55.1%	
Unknown	-	0.0%	-	0.0%		0.1%		0.3%	
<b>Total</b>	<b>394</b>		<b>220,693</b>		<b>379,555</b>		<b>179,257,987</b>		

Small Business Loans:

The dispersion of FB's small business loans by the income level of the geography demonstrated an excellent distribution of lending.

During the evaluation period, FB originated 42.0% by number and 41.5% by dollar value of small business loans in LMI census tracts. FB's rate of lending significantly outperformed the aggregate's rates of lending to small business of 22.3% by number and 21.3% by dollar value of loans.

The following table provides a summary of FB's small business lending distribution based

on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2012									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	7.4%	350	2.6%	15,054	5.2%	419,426	5.3%	6.3%
Moderate	8	29.6%	5,006	36.5%	42,752	14.8%	1,183,193	15.0%	17.5%
LMI	10	37.0%	5,356	39.1%	57,806	20.0%	1,602,619	20.3%	23.7%
Middle	10	37.0%	5,010	36.6%	90,439	31.3%	2,518,344	31.8%	32.1%
Upper	7	25.9%	3,333	24.3%	134,097	46.4%	3,510,135	44.4%	42.1%
Unknown		0.0%		0.0%	6,457	2.2%	277,185	3.5%	2.0%
<b>Total</b>	<b>27</b>		<b>13,699</b>		<b>288,799</b>		<b>7,908,283</b>		
2013									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	6	9.5%	2,665	8.9%	15,669	6.0%	429,008	5.1%	6.2%
Moderate	18	28.6%	8,015	26.8%	40,306	15.4%	1,281,123	15.3%	17.4%
LMI	24	38.1%	10,680	35.7%	55,975	21.4%	1,710,131	20.5%	23.5%
Middle	16	25.4%	6,522	21.8%	82,453	31.5%	2,690,431	32.2%	31.9%
Upper	23	36.5%	12,707	42.5%	117,404	44.9%	3,663,831	43.8%	42.6%
Unknown		0.0%		0.0%	5,843	2.2%	292,797	3.5%	2.0%
<b>Total</b>	<b>63</b>		<b>29,909</b>		<b>261,675</b>		<b>8,357,190</b>		
2014									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	10	11.9%	4,613	11.2%	22,520	7.5%	549,297	6.3%	7.1%
Moderate	29	34.5%	14,529	35.3%	54,034	17.9%	1,474,485	16.8%	18.7%
LMI	39	46.4%	19,142	46.6%	76,554	25.4%	2,023,782	23.1%	25.8%
Middle	30	35.7%	16,178	39.4%	95,648	31.7%	2,748,786	31.4%	32.3%
Upper	13	15.5%	4,635	11.3%	123,171	40.9%	3,701,458	42.3%	40.0%
Unknown	2	2.4%	1,156	2.8%	6,062	2.0%	286,301	3.3%	1.9%
<b>Total</b>	<b>84</b>		<b>41,111</b>		<b>301,435</b>		<b>8,760,327</b>		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	18	10.3%	7,628	9.0%		6.2%		5.6%	
Moderate	55	31.6%	27,550	32.5%		16.1%		15.7%	
LMI	73	42.0%	35,178	41.5%		22.3%		21.3%	
Middle	56	32.2%	27,710	32.7%		31.5%		31.8%	
Upper	43	24.7%	20,675	24.4%		44.0%		43.5%	
Unknown	2	1.1%	1,156	1.4%		2.2%		3.4%	
<b>Total</b>	<b>174</b>		<b>84,719</b>		<b>851,909</b>		<b>25,025,800</b>		

### Distribution by Borrower Characteristics: "Needs to Improve"

FB's 1-4 family HMDA-reportable lending demonstrated a poor distribution among individuals of different income levels. Specifically, during the evaluation period, FB did not originate any 1-4 family HMDA-reportable loans to low-income borrowers and only two loans to moderate-income borrowers. FB needs to improve its HMDA lending to LMI borrowers. FB's small business lending demonstrated a reasonable distribution of loans to businesses of different revenue sizes.

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HMDA-Reportable Loans:

FB's 1-4 family HMDA-reportable lending demonstrated a poor distribution of loans among individuals of different income levels. The distribution by borrower characteristics evaluation of this factor was based solely on 1-4 family HMDA-reportable loans and excludes multifamily loans.

FB originated 50.3% by number and 57.4% by dollar value of loans to borrowers with income not collected or unknown (nonowner-occupied properties owned by limited liability companies and corporations). FB did not make any loans to low-income borrowers and only two loans to moderate-income borrowers during the evaluation period. Thus, FB's rate of lending to LMI borrowers of 1.4% by number and 0.5% by dollar value was significantly below the aggregate's 15.0% by number and 7.2% by dollar value. Furthermore, demographic data for 2012 and 2013 indicated that 41.8% of families within the assessment area were LMI. In 2014 this figure was 43.5%.

The following table provides a summary of the distribution of FB's HMDA-reportable loans by borrower income.

<b>Distribution of 1-4 Family Loans by Borrower Income</b>									
<b>2012</b>									
<b>Borrower Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	4,703	3.3%	771,619	1.4%	25.2%
Moderate	1	2.4%	84	0.4%	16,198	11.5%	3,235,704	6.0%	16.6%
LMI	1	2.4%	84	0.4%	20,901	14.8%	4,007,323	7.4%	41.8%
Middle	3	7.1%	919	4.8%	30,186	21.4%	7,622,978	14.1%	18.1%
Upper	21	50.0%	9,555	49.9%	83,714	59.4%	38,782,916	71.8%	40.1%
Unknown	17	40.5%	8,585	44.8%	6,106	4.3%	3,589,355	6.6%	
<b>Total</b>	<b>42</b>		<b>19,143</b>		<b>140,907</b>		<b>54,002,572</b>		
<b>2013</b>									
<b>Borrower Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	4,338	3.2%	743,080	1.4%	25.2%
Moderate	1	1.9%	265	1.1%	15,239	11.3%	3,026,720	5.6%	16.6%
LMI	1	1.9%	265	1.1%	19,577	14.5%	3,769,800	7.0%	41.8%
Middle	4	7.7%	1,690	6.8%	28,358	21.0%	7,177,680	13.3%	18.1%
Upper	28	53.8%	12,778	51.3%	81,648	60.4%	39,324,328	72.9%	40.1%
Unknown	19	36.5%	10,174	40.8%	5,704	4.2%	3,669,136	6.8%	
<b>Total</b>	<b>52</b>		<b>24,907</b>		<b>135,287</b>		<b>53,940,944</b>		
<b>2014</b>									
<b>Borrower Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	3,453	3.7%	631,790	1.5%	26.6%
Moderate	0	0.0%	0	0.0%	11,568	12.3%	2,373,702	5.8%	16.9%
LMI	0	0.0%	0	0.0%	15,021	15.9%	3,005,492	7.3%	43.5%
Middle	1	2.0%	130	0.5%	20,331	21.6%	5,388,208	13.1%	18.2%
Upper	12	24.5%	5,350	18.9%	55,634	59.0%	29,578,665	71.9%	32.3%
Unknown	36	73.5%	22,775	80.6%	3,322	3.5%	3,159,906	7.7%	
<b>Total</b>	<b>49</b>		<b>28,255</b>		<b>94,308</b>		<b>41,132,271</b>		
<b>GRAND TOTAL</b>									
<b>Borrower Income</b>	<b>Bank</b>				<b>Aggregate</b>				
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Low	0	0.0%	0	0.0%		3.4%		1.4%	
Moderate	2	1.4%	349	0.5%		11.6%		5.8%	
LMI	2	1.4%	349	0.5%		15.0%		7.2%	
Middle	8	5.6%	2,739	3.8%		21.3%		13.5%	
Upper	61	42.7%	27,683	38.3%		59.6%		72.2%	
Unknown	72	50.3%	41,534	57.4%		4.1%		7.0%	
<b>Total</b>	<b>143</b>		<b>72,305</b>		<b>370,502</b>		<b>149,075,787</b>		

Small Business Loans:

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

During the evaluation period, FB originated 65.5% by number and 71.9% by dollar value of loans to businesses with gross annual revenues of \$1 million or less, outperforming the aggregate's rates of 41.4% and 30.0%, respectively. Furthermore, FB's rate of lending approximated the 73% of businesses located in the assessment area with gross annual revenues of \$1 million or less based on the area's business demographics.



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

<b>Distribution of Small Business Lending by Revenue Size of Business</b>									
<b>2012</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Rev. <= \$1MM	16	59.3%	9,988	72.9%	112,590	39.0%	2,281,122	28.8%	72.8%
Rev. > \$1MM	11	40.7%	3,711	27.1%					4.8%
Rev. Unknown		0.0%		0.0%					22.5%
<b>Total</b>	<b>27</b>		<b>13,699</b>		<b>288,799</b>		<b>7,908,283</b>		
<b>2013</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Rev. <= \$1MM	46	73.0%	21,594	72.2%	115,029	44.0%	2,629,780	31.5%	73.9%
Rev. > \$1MM	17	27.0%	8,315	27.8%					5.2%
Rev. Unknown		0.0%		0.0%					21.0%
<b>Total</b>	<b>63</b>		<b>29,909</b>		<b>261,675</b>		<b>8,357,190</b>		
<b>2014</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Rev. <= \$1MM	52	61.9%	29,289	71.2%	125,134	41.5%	2,596,003	29.6%	73.5%
Rev. > \$1MM	32	38.1%	11,822	28.8%					5.6%
Rev. Unknown		0.0%		0.0%					20.9%
<b>Total</b>	<b>84</b>		<b>41,111</b>		<b>301,435</b>	<b>%</b>	<b>8,760,327</b>		
<b>GRAND TOTAL</b>									
<b>Rev. Size</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Rev. <= \$1MM	114	65.5%	60,871	71.9%	352,753	41.4%	7,506,905	30.0%	
Rev. > \$1MM	60	34.5%	23,848	28.1%	-				
Rev. Unknown	-	0.0%	-	0.0%	0				
<b>Total</b>	<b>174</b>		<b>84,719</b>		<b>851,909</b>		<b>25,025,800</b>		

### Community Development Lending: "High Satisfactory"

FB's \$430.8 million in community development loans, or 3.1% of annualized community development loans to average total assets,<sup>2</sup> demonstrated a more than reasonable level of community development lending over the course of the evaluation period.<sup>3</sup>

FB made the majority of its community development loans to finance or refinance

<sup>2</sup> Average total assets for the eight quarters of calendar years, 2013 and 2014. During the 1<sup>st</sup> quarter of 2013, Flushing Commercial Bank, a FDIC regulated municipal deposit bank merged with Flushing Savings Bank, an Office of the Comptroller of the Currency regulated savings bank and became Flushing Bank a NYS-chartered bank.

<sup>3</sup> For analysis purposes, renewals of lines-of-credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the time period of the exam.

multifamily properties; thereby, providing affordable rental housing to low- and moderate-income individuals and families.

DFS considers whether a bank has met its responsibility to ensure that a multifamily loan submitted for affordable housing or neighborhood revitalization credit under CRA contributes to, and does not undermine, the availability of affordable housing or neighborhood conditions.<sup>4</sup> Of the loans FB submitted for CRA credit for affordable housing, DFS disqualified four multifamily loans totaling \$9.2 million. The properties financed by these loans had unacceptably high numbers of housing code violations, as reported to DFS by New York City’s Department of Housing, Preservation and Development and a Building Indicator Project (“BIP”) score that exceeded 800. These sources indicated that the properties financed by these loans were in significant physical or financial distress and thus not creditable as helping to promote or provide affordable housing.

<b>Community Development Loans</b>				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	431	429,785		
Economic Development	-	-		
Community Services	-	-		
Revitalize & Stabilize	2	1,000		
<b>Total</b>	<b>433</b>	<b>430,785</b>		

Below are highlights of FB’s community development lending.

#### Affordable Housing

- FB originated 430 multifamily loans for a total of \$427.3 million. These multifamily properties provide affordable housing to individuals and households with incomes of less than 80% of the area median income.
- FB extended a \$2.5 million revolving line-of-credit to a real estate management corporation primarily engaged in the creation and development of affordable housing projects in Bronx County.

#### Revitalization & Stabilization

- FB made a \$432,400 loan to the New York City Fund (NYC Fund) and a \$567,600

<sup>4</sup> “The Final Guidelines for Bank Lending to Multifamily Properties Under the Community Reinvestment Act” notes that “A loan on a multifamily property would not be found to have a community development purpose and would not be a CRA eligible if it: 1. Significantly reduces or has the potential to reduce affordable housing; 2. Facilities substandard living conditions as evidenced by a high number of housing code violations, emergency repair liens, water bill liens or indexes of the University Neighborhood Housing Program’s Building Indicator Project (BIP) database; 3. Is in technical default; and 4. Has been underwritten in an unsound manner.”

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loan to the New York State Fund (NYS Fund). Both funds were established in the aftermath of Super Storm Sandy that affected New York State in 2012. Administered by the New York Business Development Corporation,<sup>5</sup> the NYC Fund and NYS Fund provided loans from \$5,000 to 25,000 to businesses and not-for-profit entities with less than 100 employees that experienced business interruption and/or physical damage from the storm.

### **Flexible and/or Innovative Lending Practices:**

FB offers primarily traditional loan products and did not make use of innovative lending products or practices.

### **INVESTMENT TEST:** “High Satisfactory”

*FB’s investment performance is evaluated pursuant to the following criteria:*

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

FB’s community development investments were reasonable considering the assessment area’s credit needs.

### **Community Development Investments:**

During the evaluation period,<sup>6</sup> FB made \$47.9 million in community development investments. In addition, FB made \$131,000 in community development grants. Total qualified investments, including grants were 0.34% of annualized community development investments to average total assets, this demonstrated a more than reasonable level of community development investments over the course of the evaluation period.

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<sup>5</sup> The New York Business Development Corporation works in partnership with lending institutions to provide terms, many of which do not meet the requirements for traditional financing. Its goal is to support economic development and creation and growth of job opportunities in New York State by providing innovative loans to small businesses.

<sup>6</sup> This is the first CRA performance evaluation of FB conducted by DFS. FB was formed in 2013 by merging of two banks; as a result, investments were considered as made during the evaluation period. Investments made prior to January 1, 2012 were given credit for their outstanding balance as of December 31, 2014.

Community Development Investments and Grants				
	This Evaluation Period		Outstanding from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	5	32,713		
Economic Development	3	10,109		
Community Services	1	5,115		
Other (Please Specify)				
<b>Total</b>	<b>9</b>	<b>47,937</b>	<b>0</b>	<b>0</b>
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing				
Economic Development				
Community Services	12	126		
Revitalize & Stabilize	1	5		
<b>Total</b>	<b>13</b>	<b>131</b>		

Below are examples of FB's community development investments and grants.

#### Affordable Housing

- FB invested \$11.2 million in a CRA qualified mutual fund secured by several multifamily rental properties, of which a majority of the rental units are subject to the Section 8 housing program. The properties are in Westchester, Queens, New York and Nassau counties.
- FB invested \$10.6 million in a Federal National Mortgage Association (FNMA) issued bond secured by multifamily properties with a total of 489 units. Of these units 488 are restricted to tenants with low- and moderate-income or recipients of Section 8 assistance through the Housing Choice Voucher program. The multifamily property is New York City's ("NYC") first Section 8 project-based rental assistance property where tenants pay only 30% of their income toward rent and the Section 8 program pays the balance. The property is in a low-income census tract in NYC.
- FB invested \$10.1 million in Government National Mortgage Association (GNMA) guaranteed multifamily REMIC pass-through securities. The loan pool contained 44% of mortgage loans insured under HUD Section 221 (d)(4).<sup>7</sup>

#### Economic Development

- FB invested \$10.0 million in a U.S. Small Business Administration ("SBA") loan

<sup>7</sup> Section 221 (d)(4) insures mortgage loans to facilitate the new construction or substantial rehabilitation of multifamily rental or cooperative housing for moderate-income families, the elderly, and the handicapped.

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fund that primarily invests in the guaranteed portion of SBA 7(a) loans. The fund's mission is to promote economic development in LMI areas and create jobs for LMI individuals.

### Community Development Grants

FB made \$131,000 in community development grants to provide a range of community services.

- FB contributed \$15,000 to an association that advocates and provides services in the areas of education, vocational training, medical needs and professional development to developmentally disabled individuals who rely on Medicaid to cover medical expenses.
- FB made a \$15,000 grant to a community-based organization that helps to preserve affordable housing and stabilize NYC neighborhoods.
- FB provided a \$25,000 grant to fund an extended day music and academic program to inspire excellence in children. The program is offered in the South Bronx, historically one of the most impoverished districts in the United States.

### **Innovativeness of Community Development Investments:**

FB made occasional use of innovative investments to support community development.

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

FB's community development investments exhibited adequate responsiveness to the assessment area's credit and community development needs.

### **SERVICE TEST: "High Satisfactory"**

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

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

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

- (1) The extent to which the banking institution provides community development*

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services; and  
(2) The innovativeness and responsiveness of community development services.

**Retail Banking Services: “High Satisfactory”**

FB has a more than reasonable branch network, delivery systems, branch hours and services, and alternative delivery systems, particularly those available to LMI individuals.

Current distribution of the banking institution’s branches:

FB has an adequate distribution of branch offices within the assessment area.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Kings		2	1	1	1	5	60%
Nassau				1	1	2	0%
New York					1	1	0%
Queens		1	2	4	2	9	33%
<b>Total</b>	<b>-</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>5</b>	<b>17</b>	<b>35%</b>

Record of opening and closing branches:

FB opened one branch office during the evaluation period. The office is located at 4616 13<sup>th</sup> Avenue, Brooklyn, NY in a low-income census tract. This branch has improved accessibility for LMI individuals in the assessment area.

Availability and effectiveness of alternative systems for delivering retail services:

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

FB offers internet banking, telephone banking, bank-by-mail, online bill-pay, mobile banking, mobile check deposit and cash management services.

Range of services provided:

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

FB operates 17 branch offices of which 14 are open Monday through Saturday. The three offices that are not open on Saturday are open on Sunday instead to better meet the

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needs of these communities. FB's branch network is supplemented by a total of 32 deposit-taking automated teller machines ("ATMs") located at its branch offices. In addition, FB offers its account holders surcharge-free access to the Allpoint network of 55,000 ATMs located at retailers worldwide.

FB offers the "Complete Checking" account with no minimum balance requirement, no monthly maintenance fees and a minimum opening deposit of \$25.

### **Community Development Services: "High Satisfactory"**

FB provided a relatively high level of community development services some of which are highlighted below.

- FB's staff taught various courses such as "Money Smart – Borrowing Basics," "CRA Money Smart for "Young Adults," and "Money Smart Banking Basics" to students at schools in LMI census tracts.
- FB staff also taught courses in "Setting Financial Goals" and "Bank on It" at various high schools in the assessment area and at a Chamber of Commerce in Brooklyn.
- FB senior management and staff provided their banking and financial expertise by serving on the boards and committees of several nonprofit organizations operating in the assessment area. For example, an executive vice president serves as the chairman of the board of a neighborhood settlement house which helps build and strengthen underserved communities in western Queens. Another senior officer serves as a board member and chairman of the audit committee of a nonprofit, HUD-certified housing counseling agency committed to revitalizing underserved neighborhoods and preserving affordable housing in New York City.

### **Additional Factors**

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

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

The board's Risk and Compliance Committee oversees FB's CRA compliance. The CRA officer conducts a semi-annual CRA compliance assessment that includes analyses of the bank's loans within the assessment area and evaluates distribution of loans in low- and moderate-income areas. The assessment is provided to the board's Risk and Compliance Committee for review. FB's internal audit function also conducts periodic audits of the bank's CRA compliance.

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## Discrimination and other illegal practices

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

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

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

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

## Process Factors

- *Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.*

FB's senior management and other officers serve in various capacities on the board or committees of several nonprofit organizations that promote affordable housing, economic development, revitalization and stabilization of communities, as well as trade associations and local chapters of Chambers of Commerce. These activities help FB to ascertain the credit needs of its community.

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

FB has mail and call programs to promote its products, especially business products, to businesses in its assessment area. FB also sponsors networking events for local businesses and advertises these events in local newspapers and industry publications.

**Other factors that in the judgment of the Superintendent bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.**

DFS did not note other factors.



## **GLOSSARY**

### **Aggregate Penetration Rate**

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.

### **Community Development**

“Community development”:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

### **Community Development Loan**

A loan that has its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

## **Community Development Service**

Service that has community development as its *primary purpose*, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
  - ❖ Serving on a loan review committee;
  - ❖ Developing loan application and underwriting standards;
  - ❖ Developing loan processing systems;
  - ❖ Developing secondary market vehicles or programs;
  - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
  - ❖ Furnishing financial services training for staff and management;
  - ❖ Contributing accounting/bookkeeping services; and
  - ❖ Assisting in fund raising, including soliciting or arranging investments.

## **Geography**

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

## **Home Mortgage Disclosure Act (“HMDA”)**

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

## **Income Level**

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

<b>Income level of individual or geography</b>	<b>% of the area median income</b>
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

## **Loans to Small Businesses**

Small business loans to businesses with gross annual revenues of \$1 million or less.

## **Low or Moderate Income ("LMI") Geographies**

Those census tracts or block numbering areas where, according to the 2000 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 Metropolitan Statistical Area ("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 BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

## **LMI Borrowers**

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development ("HUD").

## **LMI Individuals/Persons**

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

### **LMI Penetration Rate**

A number that represents the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

### **Low-Income Housing Tax Credit (LIHTC)**

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

### **New Markets Tax Credit (NMTC)**

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

### **Qualified Investment**

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

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;

- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.