



PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION OF FLUSHING BANK

AS OF SEPTEMBER 30, 2024

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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FLUSHING BANK – CRA PERFORMANCE EVALUATION

I. - GENERAL INFORMATION

This document is an evaluation (the “Evaluation”) of the Community Reinvestment Act (“CRA”) performance of Flushing Bank (“FB” or the “Bank”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This Evaluation represents the Department’s current assessment and rating of the Bank’s CRA performance based on an evaluation conducted as of September 30, 2024.

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 end of this Evaluation.

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II. - OVERVIEW OF INSTITUTION’S PERFORMANCE

The Department evaluated FB according to the large banking institutions performance criteria pursuant to Sections 76.7, 76.8, 76.9 and 76.10 of the GRS. The evaluation period included calendar years 2021, 2022, and 2023 for lending activities and the period from July 1, 2021 to September 30, 2024 for the community development activities. The Department assigned FB a rating of “1” indicating an “**Outstanding**” record of helping to meet community credit needs.

This rating is based on the following factors:

A. Lending Test: Outstanding

FB’s HMDA-reportable and small business lending activities were excellent considering FB’s size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area.

1. Lending Activity:

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

FB’s average loan-to-deposit (“LTD”) ratio for the evaluation period was 103.5%, well above the peer group’s ratio of 78.9%. Additionally, the Bank’s quarterly average LTD ratios exceeded its peer group’s ratios throughout the evaluation period.

2. Assessment Area Concentration:

During the evaluation period, FB originated 97.8% by number and 96.6% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating an excellent concentration of lending.

3. Geographic Distribution of Loans:

FB’s origination of loans in census tracts of varying income levels demonstrated an excellent distribution of lending and was attributed primarily to the Bank’s multi-family lending activity.

4. Distribution by Borrower Characteristics:

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

FB made most of its HMDA-reportable loans to corporations. These types of loans do not require borrower income to be reported. Accordingly, distribution by borrower characteristics was rated solely on FB’s small business lending performance.

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5. Community Development Lending:

During the evaluation period, FB originated \$453.4 million in new community development loans and had \$411.7 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

A substantial majority of FB's community development lending supported affordable housing.

B. Investment Test: High Satisfactory

1. Qualified Investments

During the evaluation period, FB made \$7.5 million in new qualified investments and had \$70.3 million outstanding from prior evaluation periods. In addition, FB made \$1.5 million in qualified grants. This demonstrated a significant level of qualified investments and grants over the course of the evaluation period.

2. Innovativeness of Qualified Investments:

FB made no use of innovative investments to support community development.

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

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

C. Service Test: High Satisfactory

1. Retail Banking Services:

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

2. Community Development Services:

FB was a leader in providing community development services.

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

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III. - PERFORMANCE CONTEXT

A. Institution Profile

Chartered in 1929, FB is a New York State-chartered commercial bank headquartered in Nassau County, New York. FB is a wholly owned subsidiary of Flushing Financial Corporation, a publicly traded bank holding company. FB's subsidiaries include Flushing Service Corp., and FSB Properties Inc. The Bank also has an internet branch division which operates under the brands of iGObanking.com and BankPurely.com.

FB operates 27 banking offices within Kings, Nassau, New York, Queens, and Suffolk counties. Nine banking offices are in LMI areas. Each banking office has at least one automated teller machine ("ATM"). FB participates in the Allpoint ATM network, giving its customers surcharge-free access to their funds at over 55,000 ATMs worldwide.

FB offers a variety of personal and business loan and deposit products. Deposit products include checking, savings, money market, and certificate of deposit accounts for individuals, commercial customers, not-for-profit organizations, and governments. Lending products include residential loans, Small Business Administration ("SBA") loans, commercial loans, construction loans and lines of credit. Alternative banking services include personal and business online and mobile banking, bank by mail, and a solutions call center.

In its Consolidated Report of Condition (the "Call Report") as of September 30, 2024, filed with the Federal Deposit Insurance Corporation ("FDIC"), FB reported total assets of \$9.3 billion, of which \$6.8 billion were net loans and lease financing receivables. It also reported total deposits of \$7.6 billion, resulting in an LTD ratio of 88.7%. According to the latest available comparative deposit data as of June 30, 2024, FB obtained a market share of .32%, or \$7 billion in a market of \$2.2 trillion, ranking it 27th among 118 deposit-taking institutions in the assessment area.

The following is a summary of the Bank's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2021, December 31, 2022, and December 31, 2023, Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	12/31/2021		12/31/2022		12/31/2023	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	855,001	12.9	801,471	11.6	755,883	10.9
Commercial & Industrial Loans	797,327	12.0	807,336	11.6	764,054	11.1
Commercial Mortgage Loans	2,386,285	35.9	2,632,175	38.0	2,654,533	38.4
Multifamily Mortgages	2,516,134	37.9	2,603,069	37.5	2,660,677	38.5
Consumer Loans	2,711	0.0	1,857	0.0	1,440	0.0
Construction Loans	75,602	1.1	85,614	1.2	71,312	1.0
Other Loans	5,045	0.1	3,247	0.0	0	0.0
Total Gross Loans	6,638,105		6,934,769		6,907,899	

As illustrated in the above table, FB is primarily a commercial lender, with 88% of its loan

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portfolio as of December 31, 2023 in multifamily mortgage loans (38.5%), commercial mortgage loans (38.4%) and commercial and industrial loans (11.1%).

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

B. Assessment Area

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

There are 3,239 census tracts in the Bank's assessment area, of which 310 are low-income, 718 are moderate-income, 1,142 are middle-income, 897 are upper-income, and 172 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	21	129	121	65	25	361	69.3
Kings	46	91	235	263	170	805	40.5
Nassau	9	10	31	146	90	286	14.3
New York	23	36	44	32	175	310	25.8
Queens	52	26	157	325	165	725	25.2
Richmond	7	3	13	42	61	126	12.7
Suffolk	8	5	90	220	62	385	24.7
Westchester	6	10	27	49	149	241	15.4
Total	172	310	718	1,142	897	3,239	31.7

C. Demographic & Economic Data

The assessment area had a population of 12,730,341 during the evaluation period. Approximately 15% of the population was over the age of 65 and 22.2% was under the age of 16.

Of the 2,853,045 families in the assessment area, 26.2% were low-income, 16.0% were moderate-income, 17.5% were middle-income and 40.3% were upper-income. There were 4,490,810 households in the assessment area, of which 14.3% had income below the poverty level and 3.8% were on public assistance.

The weighted average median family income in the assessment area was \$104,182.

There were 4,945,952 housing units within the assessment area, of which 51.3% were one to-four family units and 48.4% were multifamily units. A majority (49.7%) of the housing units were rental-occupied, while 41.1% were owner-occupied units and 9.2% were vacant units.

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Of the total 2,456,850 rental-occupied units, 47.1% were in LMI census tracts while 51.5% were in middle- and upper-income census tracts. The weighted average monthly gross rent was \$1,606.

Of the 2,033,960 owner-occupied housing units, 17.4% were in LMI census tracts while 82.1% were in middle-and upper-income census tracts. The median age of the housing stock was 73 years, and the weighted average median home value in the assessment area was \$635,740.

There were 2,142,420 non-farm businesses in the assessment area. Of these, 93.5% were businesses with reported revenues of less than or equal to \$1 million, 2.5% reported revenues of more than \$1 million, and 4% did not report their revenues. Of all the businesses in the assessment area, 98.1% were businesses with less than fifty employees while 96.1% operated from a single location. The largest industries in the area were services (32.3%), finance, insurance & real estate (10.4%) and retail trade (10.3%); 32.6% of businesses in the assessment area were not classified.

According to New York State Department of Labor data, the annual average unemployment rate for New York State and all counties of the assessment area declined during the evaluation period from the 2021 highs. This may be attributed to improving economic conditions as the pandemic receded. Bronx County consistently had the highest and Nassau County the lowest annual average unemployment rates among all the counties in the assessment area and statewide, in each year of the evaluation period.

Assessment Area Unemployment Rate									
	Statewide	Bronx	Kings	Nassau	New York	Queens	Richmond	Suffolk	Westchester
2021	7.1	13.9	10.4	4.5	7.8	9.9	9.0	4.6	4.8
2022	4.3	7.9	5.9	2.9	4.6	5.3	5.6	3.2	3.2
2023	4.2	6.8	5.5	3.1	4.6	4.6	4.9	3.4	3.4
Average of Years above	5.2	9.5	7.3	3.5	5.7	6.6	6.5	3.7	3.8

D. Community Information

DFS examiners contacted and interviewed representatives of two non-profit organizations that are active in FB's assessment area. The information obtained from interviews helps to determine whether local financial institutions are responsive to community development needs and economic concerns within the assessment area.

The first non-profit organization, located in South Ozone Park in Queens County, seeks to help underserved families and children by providing clothing, shelter, economic opportunities, and social connections. This organization also assists children in pursuing college education and gathers local support for the homeless, disaster victims, and anyone in need. The interviewee stated that while the local impoverished community has been dominated by shelters and the area continues to deteriorate, there have been no outreach efforts by financial institutions to make the community members aware of affordable financial products. The representative opined that,

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overall, the local financial institutions were not responsive to the area's lending and community development needs.

Secondly, DFS examiners interviewed the Chief Executive Officer of a community action and anti-poverty agency operating in Nassau County. The non-profit organization helps economically disadvantaged families and youth combat poverty through education, counseling, foreclosure prevention, and affordable housing assistance programs. The interviewee indicated that affordable housing represents a primary community need for the area as there is a limited availability of affordable rentals and owner-occupied properties. Moreover, the interviewee mentioned that financial literacy education is required to help address financial challenges facing the community, including LMI persons who cannot qualify for home mortgage credit and lack access to small business financing.. The interviewee highlighted opportunities for financial institutions to address these challenges, through special programs for affordable housing creation and by providing financial education.

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IV. - PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

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

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

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

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

DFS derived the demographic data referred to in this report from the 2020 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 2021, 2022, and 2023 for lending activities and the period from July 1, 2021, to September 30, 2024, for community development activities.

Examiners considered FB's HMDA-reportable and small business lending activity in evaluating factors (2) and (3) of the lending test noted below. The evaluation of factor (4) of the lending test noted below considered small business lending activity only.

In its prior Community Reinvestment Act Performance Evaluation as of June 30, 2021, DFS assigned FB a rating of "1" or "Outstanding" compliance with regulatory standards.

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Current CRA Rating: Outstanding

A. Lending Test: Outstanding

The Bank's lending performance was evaluated pursuant to the following criteria:

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

FB's HMDA-reportable and small business lending activities were excellent considering FB's size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area. FB's excellent level of community development lending for affordable housing purposes, demonstrates the Bank's commitment to meeting its community credit needs.

1. Lending Activity:

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

FB's average LTD ratio for the evaluation period was 103.5%, well above the peer group's ratio of 78.9%, and its quarterly average LTD ratios exceeded the peer group's ratios throughout the evaluation period.

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

Loan-to-Deposit Ratios													
	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	Avg.
Bank	104.3	104.8	101.5	103.1	101.6	104.7	111.4	106.0	101.7	101.0	102.5	99.4	103.5
Peer	76.8	76.1	74.2	72.5	72.4	76.0	78.9	82.0	82.9	84.8	85.3	85.4	78.9

2. Assessment Area Concentration:

During the evaluation period, FB originated 97.8% by number and 96.6% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating an excellent concentration of lending.

a. HMDA-Reportable Loans:

During the evaluation period, FB originated 96.3% by number and 96.1% by dollar value of its HMDA-reportable loans within the assessment area.

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This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending.

b. Small Business Loans:

FB originated 99.3% by number and 98.8% by dollar value of its small business loans within the assessment area during the evaluation period.

This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending.

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

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2021	227	100.0%	-	0.0%	227	352,955	100.0%	-	0.0%	352,955
2022	264	92.0%	23	8.0%	287	447,478	91.1%	43,693	8.9%	491,171
2023	126	99.2%	1	0.8%	127	300,593	99.8%	650	0.2%	301,243
Subtotal	617	96.3%	24	3.7%	641	1,101,026	96.1%	44,343	3.9%	1,145,369
Small Business										
2021	379	100.0%	-	0.0%	379	89,640	100.0%	-	0.0%	89,640
2022	192	99.5%	1	0.5%	193	88,446	99.3%	619	0.7%	89,065
2023	108	96.4%	4	3.6%	112	42,846	95.4%	2,050	4.6%	44,896
Subtotal	679	99.3%	5	0.7%	684	220,932	98.8%	2,669	1.2%	223,601
Grand Total	1,296	97.8%	29	2.2%	1,325	1,321,958	96.6%	47,012	3.4%	1,368,970

3. Geographic Distribution of Loans:

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

a. HMDA-Reportable Loans:

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

During the evaluation period, FB originated 46.2% by number and 48.3% by dollar value of its HMDA-reportable loans in LMI census tracts, outperforming the aggregate’s rates of 16.8% and 19.7%, respectively. Also, the Bank’s lending rates in LMI census tracts were consistently higher than the aggregate’s levels in each year of the evaluation period. Multifamily loans constituted a majority of HMDA-reportable loans both by number and dollar value, in each year of and during the entire evaluation period.

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

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2021									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	39	17.2%	93,310	26.4%	6,670	2.7%	7,130,100	4.5%	2.3%
Moderate	64	28.2%	101,800	28.8%	33,967	13.5%	23,293,565	14.8%	14.2%
LMI	103	45.4%	195,110	55.3%	40,637	16.2%	30,423,665	19.3%	16.5%
Middle	63	27.8%	80,679	22.9%	100,420	39.9%	48,607,170	30.9%	41.3%
Upper	59	26.0%	73,236	20.7%	110,180	43.8%	78,199,490	49.7%	42.1%
Unknown	2	0.9%	3,930	1.1%	310	0.1%	175,860	0.1%	0.1%
Total	227		352,955		251,547		157,406,185		
2022									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	38	14.4%	64,357	14.4%	4,096	2.8%	5,121,610	4.5%	2.4%
Moderate	90	34.1%	167,002	37.3%	21,456	14.5%	16,973,080	14.8%	15.0%
LMI	128	48.5%	231,359	51.7%	25,552	17.3%	22,094,690	19.3%	17.4%
Middle	64	24.2%	107,873	24.1%	59,461	40.3%	33,203,235	29.0%	42.7%
Upper	66	25.0%	101,201	22.6%	61,513	41.7%	57,936,585	50.7%	39.4%
Unknown	6	2.3%	7,045	1.6%	1,022	0.7%	1,121,050	1.0%	0.6%
Total	264		447,478		147,548		114,355,560		
2023									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	22	17.5%	47,289	15.7%	2,335	2.7%	3,485,785	6.0%	2.4%
Moderate	32	25.4%	57,564	19.2%	13,041	15.1%	9,008,715	15.4%	15.0%
LMI	54	42.9%	104,853	34.9%	15,376	17.8%	12,494,500	21.4%	17.4%
Middle	33	26.2%	69,419	23.1%	36,823	42.6%	18,623,915	31.9%	42.7%
Upper	36	28.6%	124,677	41.5%	33,649	39.0%	26,731,695	45.8%	39.4%
Unknown	3	2.4%	1,644	0.5%	514	0.6%	464,380	0.8%	0.6%
Total	126		300,593		86,362		58,314,490		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	99	16.0%	204,956	18.6%	13,101	2.7%	15,737,495	4.8%	
Moderate	186	30.1%	326,366	29.6%	68,464	14.1%	49,275,360	14.9%	
LMI	285	46.2%	531,322	48.3%	81,565	16.8%	65,012,855	19.7%	
Middle	160	25.9%	257,971	23.4%	196,704	40.5%	100,434,320	30.4%	
Upper	161	26.1%	299,114	27.2%	205,342	42.3%	162,867,770	49.3%	
Unknown	11	1.8%	12,619	1.1%	1,846	0.4%	1,761,290	0.5%	
Total	617		1,101,026		485,457		330,076,235		

b. Small Business Loans:

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

During the evaluation period, FB originated 29.5% by number and 30.4% by dollar value of its small business loans, outperforming the aggregate’s respective small business lending rates of 25.1% by number and 22.3% by dollar value of loans.

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

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2021									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	25	6.6%	4,205	4.7%	31,634	6.4%	913,815	5.1%	6.8%
Moderate	88	23.2%	21,143	23.6%	91,817	18.7%	2,798,142	15.7%	18.8%
LMI	113	29.8%	25,348	28.3%	123,451	25.1%	3,711,957	20.8%	25.6%
Middle	168	44.3%	39,490	44.1%	153,003	31.1%	5,028,283	28.2%	30.2%
Upper	92	24.3%	23,014	25.7%	207,307	42.1%	8,497,687	47.7%	42.7%
Unknown	6	1.6%	1,788	2.0%	8,335	1.7%	576,514	3.2%	1.6%
Total	379		89,640		492,096		17,814,441		
2022									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	10	5.2%	4,805	5.4%	28,712	6.5%	717,659	6.4%	7.1%
Moderate	50	26.0%	26,753	30.2%	78,442	17.9%	1,859,130	16.7%	17.8%
LMI	60	31.3%	31,558	35.7%	107,154	24.4%	2,576,789	23.1%	24.9%
Middle	79	41.1%	31,085	35.1%	143,409	32.7%	3,313,000	29.7%	31.4%
Upper	48	25.0%	23,050	26.1%	173,628	39.6%	4,668,147	41.9%	40.3%
Unknown	5	2.6%	2,753	3.1%	14,528	3.3%	583,275	5.2%	3.4%
Total	192		88,446		438,719		11,141,211		
2023									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	4.6%	2,700	6.3%	31,615	7.2%	704,405	6.8%	7.3%
Moderate	22	20.4%	7,629	17.8%	81,116	18.4%	1,761,532	17.0%	17.8%
LMI	27	25.0%	10,329	24.1%	112,731	25.6%	2,465,937	23.8%	25.1%
Middle	56	51.9%	22,592	52.7%	142,593	32.4%	3,091,721	29.8%	31.4%
Upper	24	22.2%	9,425	22.0%	170,973	38.9%	4,271,236	41.2%	40.1%
Unknown	1	0.9%	500	1.2%	13,410	3.0%	532,866	5.1%	3.4%
Total	108		42,846		439,707		10,361,760		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	40	5.9%	11,710	5.3%	91,961	6.7%	2,335,879	5.9%	
Moderate	160	23.6%	55,525	25.1%	251,375	18.3%	6,418,804	16.3%	
LMI	200	29.5%	67,235	30.4%	343,336	25.1%	8,754,683	22.3%	
Middle	303	44.6%	93,167	42.2%	439,005	32.0%	11,433,004	29.1%	
Upper	164	24.2%	55,489	25.1%	551,908	40.3%	17,437,070	44.3%	
Unknown	12	1.8%	5,041	2.3%	36,273	2.6%	1,692,655	4.3%	
Total	679		220,932		1,370,522		39,317,412		

4. Distribution by Borrower Characteristics:

FB’s small business lending demonstrated a good distribution of loans among borrowers of different characteristics. Note that this rating of this criterion relied solely on FB’s small business lending performance.

a. Small Business Loans:

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

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FB participated in the U.S. Small Business Administration’s Paycheck Protection Program (“PPP”) which was implemented in 2020 and offered until early 2021 to support small businesses impacted by the COVID-19 pandemic. In 2021, FB originated 274 PPP loans totaling \$40.5 million within the assessment area. Since borrower revenue information was not required to be collected and was not collected for these loans, DFS did not include PPP loans in the category of “Revenues Unknown” for FB in 2021 to avoid misrepresentation of the Bank’s distribution of small business lending by revenue size of business.

FB’s average rates of lending to businesses with gross annual revenues of \$1 million or less were 47.2% by number and 45.9% by dollar volume of loans, outperforming the aggregate’s lending rates of 46.7% and 26.1% respectively. Both the Bank’s and the aggregate’s average lending rates were below the average percentage (92.1%) of small businesses with revenue of \$1 million or less.

In 2023, the Bank’s average rates of lending to businesses with gross annual revenues of \$1 million or less were 37% by number and 31% by dollar value of loans, below the aggregate’s levels of 53.8% and 33.2%, respectively. FB management noted that there was a decline in demand for small business loans in 2023 due to a rise in interest rates, making it difficult to originate small business loans.

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

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Distribution of Small Business Lending by Revenue Size of Business									
2021									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	58	55.2%	25,615	52.1%	187,849	38.2%	3,301,651	18.5%	91.3%
Rev. > \$1MM	43	41.0%	22,017	44.8%					3.4%
Rev. Unknown	4	3.8%	1,525	3.1%					5.3%
Total	105		49,157		492,096		17,814,441		
2022									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	93	48.4%	43,993	49.7%	215,084	49.0%	3,517,730	31.6%	91.7%
Rev. > \$1MM	99	51.6%	44,453	50.3%					3.2%
Rev. Unknown	0	0.0%	0	0.0%					5.2%
Total	192		88,446		438,719		11,141,211		
2023									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	40	37.0%	13,290	31.0%	236,436	53.8%	3,443,917	33.2%	93.5%
Rev. > \$1MM	68	63.0%	29,556	69.0%					2.5%
Rev. Unknown	0	0.0%	0	0.0%					4.0%
Total	108		42,846		439,707		10,361,760		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	191	47.2%	82,898	45.9%	639,369	46.7%	10,263,298	26.1%	
Rev. > \$1MM	210	51.9%	96,026	53.2%	-				
Rev. Unknown	4	1.0%	1,525	0.8%	0				
Total	405		180,449		1,370,522		39,317,412		

5. Community Development Lending:

During the evaluation period, FB originated \$453.4 million in new community development loans and had \$411.7 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

The Bank's level of total community development loans of \$865.1 million for the current evaluation period increased 61% by dollar volume from the \$538.2 million recorded at the prior evaluation.

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Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	241	427,140	313	395,230
Economic Development	0	0	0	0
Community Services	0	0	0	0
Revitalization and Stabilization	15	26,300	13	16,468
Total	256	453,440	326	411,698

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

Multi-family loans supporting affordable housing properties/projects comprised a substantial portion (94%) of the Bank’s community development lending. Examiners determined that these loans supported affordable housing, as the rents were lower than the Department of Housing and Urban Development’s (“HUD”) Fair Market Rents and thus provided affordable rental housing to LMI individuals and families in the Bank’s assessment area. In addition, FB financed various mixed-use properties located in LMI census tracts in the assessment area, supporting revitalization and stabilization by helping to attract and retain businesses and residents.

DFS disqualified ten multifamily loans totaling \$36.2 million that each were secured by properties located in Bronx, Kings, and New York counties that FB submitted for community development lending credit because the subject properties had an unacceptably high scores (in excess of 800) in the University Neighborhood Housing Program’s Building Indicator Project (“BIP”) database, indicating that the subject properties facilitated substandard living conditions and therefore did not promote or provide affordable housing.¹

a. Flexible and/or Innovative Lending Practices:

FB made occasional use of flexible or innovative lending practices.

During the evaluation period, the Bank participated in the Small Business Administration (“SBA”) 7(a), 504, and Express Programs to help start-up and existing new businesses obtain financing. In addition, the Bank continued to participate in the SBA PPP loan program in 2021 to help businesses through the COVID-19 pandemic.

¹ Pursuant to the Department’s Updated Final Guidelines for Banking Lending to Multifamily Properties Under the Community Reinvestment Act, issued December 4, 2014, DFS considers whether a multifamily loan submitted for affordable housing or neighborhood revitalization credit contributes to, and does not undermine, the availability of affordable housing or neighborhood conditions. This guidance is available at: <https://www.dfs.ny.gov/system/files/documents/2020/03/il1412024.pdf>

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B. Investment Test: High Satisfactory

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

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

1. Qualified Investments

During the evaluation period, FB made \$7.5 million in new qualified investments and had \$70.3 million outstanding from prior evaluation periods. In addition, FB made \$1.5 million in qualified grants. This demonstrated a significant level of qualified investments and grants over the course of the evaluation period.

Qualified Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments	4	\$ 7,505	20	70,290
Affordable Housing				
Economic Development				
Community Services				
Other (Please Specify)				
Total	4	\$ 7,505	20	70,290
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	46	\$ 196		
Economic Development	27	\$ 132		
Community Services	285	\$ 1,129		
Revitalization/Stabilization	11	\$ 56		
Total	369	\$ 1,513		

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

- During the evaluation period, FB made four investments in mortgage-backed securities, two of which were issued by the Federal National Mortgage Association totaling \$3.6 million and two of which were issued by Government National Mortgage Association totaling \$3.9 million. All the underlying mortgages collateralizing the securities were made to LMI borrowers.

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FB made donations totaling \$80,000 to a non-profit organization whose mission is to provide community services such as education, health, tax help, and housing counselling to the LMI population within the bank's assessment areas.

- FB gave donations totaling \$65,000 to a non-profit organization whose mission is, through lending, financial literacy and housing counseling services, to enable LMI New Yorkers to purchase and preserve affordable housing opportunities.
- FB gave grants totaling \$50,000 to a university for its scholarship program, with the grant funds specifically targeted to eligible students from LMI families. These community services-based opportunities enable the students to pursue their goals of higher education.
- The Bank made grants totaling \$35,000 to a local university located in Queens County. The grant funds were dedicated to a community services program that provides financial literacy training to approximately 1,500 fourth and fifth graders in local under-served school districts.
- Donations totaling \$40,500 were made to a local Business Improvement District organization which works to achieve economic development in the Long Island City neighborhood in, Queens County.

2. Innovativeness of Qualified Investments:

FB made no use of innovative investments to support community development.

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

FB's qualified investments exhibited excellent responsiveness to the assessment area's credit and community development needs. The Bank's qualified investments primarily promoted affordable housing efforts, which is an identified need within the assessment area.

C. Service Test: High Satisfactory

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

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

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

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

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1. Retail Banking Services:

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

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

FB has a good distribution of branches within its assessment area. The Bank has 27 branches located in its assessment area. According to 2024 geo-coding data available from the FFIEC, nine branches located in middle- or upper- income census tracts of Queens (3), Kings (1), New York (1), Nassau (2), and Suffolk (2) counties are adjacent to LMI census tracts. The Bank's branch services and business hours are comparable among locations regardless of the income level of the geography. Most branches have Saturday hours and some branches have Sunday hours. Most branches have extended hours at least one evening between Monday and Friday.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Kings	0	2	1	2	1	6	50%
Nassau	0	0	1	2	1	4	25%
New York	0	0	0	1	2	3	0%
Queens	0	2	2	4	2	10	40%
Suffolk	0	0	1	3	0	4	25%
Total	-	4	5	12	6	27	33%

b. Record of opening and closing branches:

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

During the evaluation period, FB opened a total of three branches in middle income census tracts in Kings, Queens, and Suffolk counties and relocated one branch within a middle-income census tract in New Hyde Park, Nassau County. Additionally, FB closed a branch in July 2021 located in a middle-income census tract in Mineola, Long Island primarily due to its proximity to the Bank's Garden City branch (less than one mile away); the Garden City branch continues to serve the immediate service area including a bordering LMI tract. The number of branches located in LMI census tracts decreased from ten to nine in FB's assessment area since the prior evaluation.

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

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

FB's alternative banking delivery systems including mobile, online, telephone banking (staffed 7 days a week), and bank-by mail, increase the accessibility of banking services. All branch locations have a minimum of one ATM that is accessible 24-hours per day and three Suffolk County

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branches also have drive-up ATM facilities. As a member of the Allpoint ATM network, FB provides its customers with free ATM usage at network ATMs throughout the United States. FB does not have offsite ATM locations.

Furthermore, the Bank's support services include TTY/TDD for the hearing and speech impaired. The Bank's employees are able to offer banking services in several languages.

d. Range of services provided:

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

During the evaluation period, FB offered the following banking products and services that pertain to LMI communities and small businesses throughout the assessment area:

- **Complete Checking** – This account features no monthly fees, no overdraft or insufficient charges, no minimum balance requirement, ATM fee waiver/rebates, access to online and mobile banking. FB's Complete Checking account was certified in April 2022 by the national nonprofit Cities for Financial Empowerment Fund (CFE Fund) as meeting the Bank On National Account Standards. Bank On certified accounts are designed to promote financial inclusion for the underbanked and unbanked consumers through required account features that ensure low cost while providing robust transaction capabilities. FB originated approximately 16,000 Complete Checking accounts for New York customers during the evaluation period.
- **IGObanking.com and BankPurely.com** – These are two banking divisions of FB with online digital platforms. Both offer deposit products with features that benefit the LMI communities. For every account opened at BankPurely.com, a donation is made to a non-profit organization that supports projects which reduce carbon emissions.
- **Bank at Work** – The Bank at Work Program is a convenient banking opportunity that allows a business to offer its employees the ability to open a new checking account with Flushing Bank from the employer's location.. Features include direct deposit of paychecks, savings programs and access to other financial products.
- **Complete Business Checking** – The checking account features no monthly service fees, a minimum deposit account opening of \$100, no minimum balance requirement to avoid a monthly maintenance fee, up to 500 free transactions per month, business online banking, and a business MasterCard ATM/debit card.

Excelsior Growth Fund – FB continues to partner with the Excelsior Growth Fund ("EGF"), a not-for-profit 501(c)(3) organization and certified Community Development Financial Institution, to provide underserved businesses with quick and easy access to small business loans under \$100,000.

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- **Fundation** – FB has partnered with Fundation, a non-bank lender, to provide conventional terms loans and lines of credit for small businesses, in amounts between \$20,000 and \$100,000. Applications can also be completed online, which provides access beyond FB’s brick-and-mortar footprint.

2. Community Development Services:

FB was a leader in providing community development services. FB provided a total of 220 instances of qualified community development services during the evaluation period. The Bank’s officers and other personnel served as board members of various community development organizations and participated in several financial literacy seminars for LMI individuals. The Bank also provided technical assistance and credit counseling, and conducted small business workshops.

Community Development Services	
Activity Type	Number of Activities
On-Going Board & Committee Memberships	51
Financial Literacy/Seminars	149
Technical Assistance	11
Small Business Workshops	4
Credit Counseling	5
Total Community Development Services	220

Below are highlights of FB’s community development services.

- The President and Chief Executive Officer of the Bank serves on the board of a nonprofit organization whose mission is to empower underserved youths of immigrant families. This is achieved through various programs that include education and career training and prepare youth for jobs.
- An executive vice president of the Bank serves on the board of a nonprofit organization that provides affordable housing opportunities for LMI individuals and families. Among the services provided are foreclosure prevention counseling, first-time homebuyer counseling and downpayment assistance programs.
- An executive vice president and chief operating officer of the Bank serves on the board of a nonprofit organization that helps the most vulnerable and at-risk individuals and families gain access to needed services. Such services include career training, employment assistance, housing, and student debt assistance programs.
- FB employees facilitated financial literacy workshops at high schools where most students are economically disadvantaged. The workshops provide students with financial tools and knowledge to help them achieve their academic goals and professional development.

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- FB employees provided financial and technical assistance to women entrepreneurs, start-up and small business owners. The training included identity theft protection, business networking, money management and how to access funding.

D. Additional Factors

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

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

FB's Board of Directors ("Board") reviews and approves the CRA program, policy, and plan at least annually. The Board also assesses CRA efforts and performance, appoints the CRA officer, approves the Bank's assessment area and any amendments to the CRA policy. The Risk and Compliance Committee ("RCC") assists the Board in its oversight of the Bank's CRA function. The RCC oversees the effectiveness of the compliance management function, including CRA. Self-assessments on CRA performance are conducted semi-annually by the CRA Officer with periodic updates provided to the Chief Compliance Officer, RCC, and in turn to the Board.

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

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

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

3. Process Factors

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

FB ascertains community credit needs largely through its two advisory boards, Asian Advisory Board and Business Advisory Board. Both boards are comprised of representatives from various industries and provide insight into local economic conditions and the specific credit needs in the Bank's service area. The CRA Officer also interacts routinely with community leaders and organizations, which enables the Bank to ascertain the credit needs of the community. FB employees' board and committee memberships, and participation in seminars and financial literacy workshops, also play a vital role in credit needs ascertainment.

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- *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 markets and advertises its credit products in local newspapers and industry publications, networking events, and digital media. The Bank also uses promotional flyers that are translated in foreign languages and provided to branches that serves multi-cultural markets. FB's marketing strategies apply to all consumer segments.

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

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

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

DFS noted no other factors.

V - GLOSSARY

Aggregate Lending

“Aggregate lending” means the number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Banking Development District (“BDD”) Program

The BDD Program is a program designed to encourage the establishment of bank branches in areas across New York State where there is a demonstrated need for banking services, in recognition of the fact that banks can play an important role in promoting individual wealth, community development, and revitalization. Among others, the BDD Program seeks to reduce the number of unbanked and underbanked New Yorkers and enhance access to credit for consumers and small businesses. More information about the program, may be found at <https://www.dfs.ny.gov> and search for the BDD Program.

Community Development

“Community development” means:

- Affordable housing (including multifamily housing) for LMI individuals;
- Community services targeted to LMI individuals;
- Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
- Activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved metropolitan middle-income geographies designated by the Board of Governors of the Federal Reserve System, FDIC and the Office of Comptroller of the Currency; and
- Activities that seek to prevent defaults and/or foreclosures in loans included in the first and third bullet points above.

Community Development Loan

“Community development loan” means a loan that has its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving LMI persons (DFS multifamily industry letter www.dfs.ny.gov/industry_guidance/industry_letters/il20141204_guidelines_bank_lending_multifamily_properties_cra_updated) ;

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

Community Development Service

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

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

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Community Development Financial Institution (“CDFI”)

A CDFI is a financial institution that provides credit and financial services to underserved markets and populations and has a primary mission of community development, serves a target market, is a financing entity, provides development services, remains accountable to its community, and is a non-governmental entity. CDFIs are certified as such by United States Treasury Department’s CDFI Fund.

Fair Market Rents (“FMRs”)

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

Geography

“Geography” means a census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (“HMDA”)

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

Income Level

The income level for borrowers is based on household or family income. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the Metropolitan Statistical Area (“MSA”) or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

LMI Geographies

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

LMI Borrowers

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

LMI Individuals/Persons

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

LMI Penetration Rate

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

Low-Income Housing Tax Credit (“LIHTC”)

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

Minority Depository Institutions (“MDIs”)

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

New Markets Tax Credit (“NMTC”)

The NMTC Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (“CDEs”). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all 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 to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;

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

Small Business Loan

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