

PUBLIC DISCLOSURE

January 25, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Haven Savings Bank
Certificate Number: 30039

621 Washington Street
Hoboken, New Jersey 07030

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office

350 Fifth Avenue, Suite 1200
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio (LTD) is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its loans inside the assessment area.
- The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers, given assessment area demographics, reflects poor penetration among individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institution demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

DESCRIPTION OF INSTITUTION

Haven Savings Bank (HSB) is a state-chartered community bank headquartered in Hoboken, New Jersey. Haven Bancorp, MHC, a New Jersey-chartered mutual holding company, wholly owns the institution. The bank does not have any subsidiaries or affiliates. HSB received a “Satisfactory” rating from the Federal Deposit Insurance Corporation (FDIC) during its prior evaluation dated April 30, 2018, using the Interagency Intermediate Small Institution (ISI) Examination Procedures.

HSB operates nine full-service branches within Bergen, Essex, Hudson, Morris, and Union Counties in New Jersey. Each branch is in an upper-income census tract. The bank maintains a 24-hour automated teller machine (ATM) at each branch. HSB did not open or close any branches during the evaluation period, and no merger or acquisition activity occurred since the previous evaluation.

HSB offers residential and commercial loan products, primarily focusing on residential lending. More recently, due to the nationwide pandemic response, the bank originated loans through the SBA Paycheck Protection Program for area businesses. HSB also offers a variety of business and consumer deposit accounts including checking, savings, money market, and certificate of deposit accounts. Alternative banking services include online banking, mobile banking, bill pay, remote deposit capture, and ATMs.

As of September 30, 2020, assets totaled \$985.1 million, including total loans of \$766.9 million and total securities of \$130.4 million. HSB’s assets grew 2.2 percent, total loans decreased 4.3 percent, and securities increased 53.5 percent during the evaluation period. Examiners did not identify any financial, legal, or other impediments that would limit the institution’s ability to meet the credit needs of its assessment area.

The following table illustrates the loan portfolio composition as of September 30, 2021.

Loan Portfolio Distribution as of 9/30/2020		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	16,100	2.1
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	509,331	66.5
Secured by Multifamily (5 or more) Residential Properties	98,460	12.8
Secured by Nonfarm Nonresidential Properties	122,323	15.9
Total Real Estate Loans	746,214	97.3
Commercial and Industrial Loans	20,691	2.7
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	32	0.0
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	766,937	100.0
<i>Source Reports of Condition and Income</i>		

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners evaluate its CRA performance. HSB designated a single assessment area that includes all tracts in Bergen, Hudson, Essex, Union, Morris, and Passaic Counties. Bergen, Hudson, and Passaic Counties are located in the New York-Jersey City-White Plains, New York-New Jersey Metropolitan Division (MD) 35614. Essex, Morris, and Union Counties are located in the Newark, New Jersey-Pennsylvania MD 35084. Both of these contiguous MDs are part of the New York-Newark-Jersey City, New York-New Jersey-Pennsylvania Metropolitan Statistical Area (MSA) 35620, which is part of the larger New York-Newark, New York-New Jersey-Connecticut-Pennsylvania Combined Statistical Area 408. HSB did not make any changes to its assessment area since the previous evaluation.

The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The assessment area's 863 census tracts reflect the following income designations according to 2015 American Community Survey (ACS) data:

- 145 low-income tracts,
- 165 moderate-income tracts,
- 190 middle-income tracts,
- 357 upper-income tracts, and
- 6 tracts with no income designation.

There are 17 cities in the assessment area that the New Jersey state government designated as Urban Enterprise Zones (UEZs). The UEZ Program, enacted in 1983, serves to revitalize deteriorating urban communities and stimulate growth by encouraging businesses to develop and create private sector jobs through public and private investment. UEZ Program-approved businesses benefit from reduced sales taxes and tax-free purchases on capital equipment. Additional benefits include financial assistance from the state economic development authority, subsidized unemployment insurance, energy sales tax exemption for qualified manufacturing firms, and certain tax credit options.

The following table shows select demographic information for the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	863	16.8	19.1	22.0	41.4	0.7
Population by Geography	3,935,068	13.5	18.4	22.5	45.4	0.2
Housing Units by Geography	1,510,131	13.7	18.1	23.0	45.1	0.1
Owner-Occupied Units by Geography	751,562	4.3	10.7	22.0	63.0	0.0
Occupied Rental Units by Geography	639,243	22.5	25.9	24.9	26.6	0.1
Vacant Units by Geography	119,326	25.9	22.6	19.4	31.9	0.2
Businesses by Geography	324,034	9.5	13.1	21.8	55.4	0.2
Farms by Geography	5,017	4.0	9.0	19.7	67.3	0.0
Family Distribution by Income Level	957,280	24.3	15.1	16.6	44.0	0.0
Household Distribution by Income Level	1,390,805	26.3	14.0	15.4	44.2	0.0
Median Family Income MSA - 35084 Newark, NJ-PA		\$90,570	Median Housing Value			\$377,146
Median Family Income MSA - 35614 New York-Jersey City-White Plains, NY-NJ		\$67,560	Median Gross Rent			\$1,253
			Families Below Poverty Level			9.8%

Source 2015 ACS and 2020 D&B Data. Due to rounding, totals may not equal 100.0%
 (*) The NA category consists of geographies that have not been assigned an income classification.

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. The assessment area contains 1,510,131 housing units. Of these, 49.8 percent are owner-occupied, 42.3 percent are occupied rental units, and 7.9 percent are vacant.

Only 4.3 percent of owner-occupied housing units are located in low-income geographies, and 10.7 percent of owner-occupied housing units are located in moderate-income geographies. In contrast, 22.5 percent and 25.9 percent of occupied rental units are located in low- and moderate-income geographies, respectively. This data suggests there is a greater opportunity for families to rent than to own housing units in low- or moderate-income geographies, which limits opportunities for lenders to originate 1-4 family residential loans in these tracts.

Also shown above, 24.3 percent of assessment area families are low-income and 15.1 percent are moderate-income. In addition, 9.8 percent have incomes below the poverty threshold. This data suggests that it would be difficult for these families to qualify for a home mortgage loan or support a monthly mortgage payment, especially considering the assessment area’s median home value of \$377,146. This data supports the significant challenges lenders face in originating loans to low- or moderate-income borrowers.

Examiners use the Federal Financial Institutions Examination Council’s (FFIEC)-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the median family income ranges for MDs 35084 and 35614.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Newark, NJ-PA Median Family Income (35084)				
2018 (\$100,700)	<\$50,350	\$50,350 to <\$80,560	\$80,560 to <\$120,840	≥\$120,840
2019 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
New York-Jersey City-White Plains, NY-NJ Median Family Income (35614)				
2018 (\$78,000)	<\$39,000	\$39,000 to <\$62,400	\$62,400 to <\$93,600	≥\$93,600
2019 (\$79,300)	<\$39,650	\$39,650 to <\$63,440	\$63,440 to <\$95,160	≥\$95,160

Source FFIEC

Data obtained from the U.S. Bureau of Labor Statistics shows that unemployment rates at the county, state, and national levels decreased during the evaluation period, until the COVID-19 pandemic in March 2020. The October 2020 unemployment rates reflect the effects of the pandemic. The following table presents annual and current unemployment rates for the assessment area counties, as well as the state and national levels, since 2018.

Unemployment Rates			
Area	2018	2019	October 2020
	%	%	%
Bergen County	3.4	2.9	7.2
Essex County	5.1	4.5	10.0
Hudson County	3.8	3.3	8.1
Morris County	3.2	2.8	6.2
Passaic County	5.0	4.3	10.2
Union County	4.3	3.7	8.1
State of New Jersey	4.1	3.6	7.6
National Average	3.9	3.7	6.9

Source U.S. Bureau of Labor Statistics

Competition

The assessment area is highly competitive in the market for financial services. According to 2019 FDIC Deposit Market Share data, 150 financial institutions operated 1,381 full-service branches within the assessment area. Of these institutions, HSB ranked 28th with a 0.4 percent deposit market share.

In addition, there is a high level of competition for home mortgage loans within the bank's assessment area. According to 2019 aggregate Home Mortgage Disclosure Act (HMDA) data, 636 lenders originated or purchased 107,694 HMDA-reportable loans in the assessment area. Wells Fargo Bank, Bank of America, J.P. Morgan Chase Bank, and Quicken Loans dominated residential mortgage lending in the assessment area in 2019. These four top lenders captured 24.2 percent of the market share by number of loans. HSB ranked 135th with a 0.1 percent market share.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit and community development needs. This information indicates what credit and community development opportunities may be available. It also helps examiners determine if local financial institutions are responsive to those needs.

Examiners reviewed a recent community contact with a community development agency serving northern New Jersey. The contact stated that the area needs affordable housing loans, as well as financial education and credit counseling workshops. The contact stated that increasing housing values and rental rates are pricing lower-income residents out of the market and making it difficult for them to find reliable living situations. The contact also believes that credit counseling services and financial education are critical for helping low- and moderate-income individuals establish credit and qualify for home mortgage loans.

Examiners also reviewed a recent community contact with the executive director of a non-profit community organization located in Bergen County. The organization provides residential property maintenance assistance to low- and moderate-income and elderly individuals. The organization receives funding through grants, corporate donors, and individual donors. The contact identified banking partnerships as an immediate community development need. The contact also identified an opportunity for financial institutions to volunteer on renovation projects and join the boards of directors of local community organizations.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that affordable housing is the primary community development need in the assessment area, while flexible mortgage loan products are a key credit need. Economic and demographic data supports the housing affordability issue that the community contact identified. Other community development needs include financial education and credit repair workshops to assist lower-income individuals in qualifying for home mortgage loans.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated April 30, 2018, to the current evaluation dated January 25, 2021. Examiners used the Interagency ISI Examination Procedures to evaluate HSB's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test. Banks must achieve at least a "Satisfactory" rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

Activities Reviewed

HSB's major product line, considering its business strategy and the number and dollar volume of loans originated during the evaluation period, is home mortgage loans. No other loan types such as small farm, small business, or consumer loans represent a major product line or provide material support for conclusions or ratings; therefore, examiners did not present these products.

This evaluation considered all home mortgage loans reported on HSB's 2018 and 2019 HMDA Loan Application Registers (LARs). In 2018, HSB reported 280 home mortgage loans totaling \$152.1 million, and in 2019, HSB reported 118 home mortgage loans totaling \$77.1 million. Management attributes the decline in home mortgage loan volume in 2019 to a measured lending strategy change into multifamily and commercial real estate. Examiners reviewed aggregate data and the U.S. Census Bureau's 2015 ACS data for comparison purposes.

Although intermediate small institutions have no requirement to report small business loans, the bank voluntarily reported data pertaining to its small business lending activity. While the Assessment Area Concentration criterion includes small business lending data reported in 2018 and 2019, the Geographic Distribution and Borrower Profile criteria did not include further analysis due to the limited volume of lending.

Examiners reviewed the number and dollar volume of home mortgage loans; however, examiners emphasized performance by number of loans since it is a better indicator of the number of individuals served. For the Community Development Test, management provided data on community development loans, investments, and services since the prior CRA evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

HSB demonstrated reasonable performance under the Lending Test. The bank's net loan-to-deposit (LTD) ratio, Assessment Area Concentration, and Geographic Distribution criterion support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the institution's size, market share, financial condition, and assessment area credit needs. The LTD ratio averaged 105.9 percent over the 10 calendar quarters from June 30, 2018, to September 30, 2020. The ratio ranged from a low of 96.5 percent as of September 30, 2020, to a high of 111.7 percent as of December 31, 2018. HSB's LTD ratio increased since the previous evaluation period, when the quarterly LTD average was 103.9 percent.

HSB's LTD ratio is slightly higher than the comparable institutions shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Institution	Total Assets \$(000s)	Average Net LTD Ratio (%)
Bogota Savings Bank	753,933	104.8
HSB	985,059	105.9
NVE Bank	709,912	101.1
RSI Bank	603,872	79.8
<i>Source Reports of Condition and Income</i>		

Assessment Area Concentration

HSB made a majority of home mortgage and small business loans within its assessment area. Please refer to the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				
	Inside		Outside			Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Home Mortgage										
2018	234	83.6	46	16.4	280	131,139	86.2	20,999	13.8	152,138
2019	105	89.0	13	11.0	118	71,170	92.3	5,915	7.7	77,085
Subtotal	339	85.2	59	14.8	398	202,309	88.3	26,914	11.7	229,223
Small Business										
2018	3	100.0	0	0.0	3	1,743	100.0	0	0.0	1,743
2019	1	50.0	1	50.0	2	750	50.0	750	50.0	1,500
Subtotal	4	80.0	1	20.0	5	2,493	76.9	750	23.1	3,243
Total	343	85.1	60	14.9	403	204,802	88.1	27,664	11.9	232,466
<i>Source HMDA and CRA LARs, Evaluation Period 1/1/2018 - 12/31/2019</i> <i>Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

In 2018, HSB's performance in low-income census tracts was below aggregate performance and demographic data. Opportunities in these census tracts are limited, as only 5.1 percent of all owner-occupied housing units were located in low-income census tracts in 2018. In 2019, HSB's performance in low-income census tracts remained below aggregate and demographic data.

HSB faces strong competition in the assessment area for lending in low-income census tracts. Aggregate data for 2019 shows that less than one quarter of all reporting lenders made more than four loans in the assessment area's low-income tracts. In addition, all of the top 50 lenders originating loans in low-income census tracts are much larger national, regional, and statewide institutions. HSB ranked in the top ten among similarly sized and smaller community banks that made loans in low-income census tracts in the assessment area.

In 2018, HSB's lending performance in moderate-income census tracts exceeded aggregate data and area demographics. In 2019, HSB's lending declined and was consistent with aggregate and demographic data. These comparisons reflect reasonable performance.

The following table depicts the distribution of home mortgage loans for 2018 and 2019.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	5.1	7.2	2	0.9	228	0.2
2019	4.3	6.1	2	1.9	1,867	2.6
Moderate						
2018	12.7	14.5	41	17.5	19,733	15.0
2019	10.7	12.2	12	11.4	4,928	6.9
Middle						
2018	24.6	23.1	26	11.1	17,380	13.3
2019	22.0	20.8	22	21.0	20,521	28.8
Upper						
2018	57.6	55.1	165	70.5	93,798	71.5
2019	63.0	60.9	69	65.7	43,854	61.6
Not Available						
2018	0.0	0.1	0	0.0	0	0.0
2019	0.0	0.1	0	0.0	0	0.0
Totals						
2018	100.0	100.0	234	100.0	131,139	100.0
2019	100.0	100.0	105	100.0	71,170	100.0
<i>Source 2015 ACS; Bank Data, 2018 & 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of loans reflects poor penetration among borrowers of different income levels. Examiners compared HSB’s home mortgage lending to the percentage of low- and moderate-income families in the assessment area and aggregate performance.

HSB’s performance of lending to low-income borrowers was below aggregate performance and area demographics in 2018 and 2019. The significant disparity between aggregate and demographic data on low-income families reflects the difficulties that low-income families face qualifying for a home mortgage loan.

In 2018, HSB’s lending to moderate-income borrowers was below aggregate performance and area demographics. In 2019, HSB’s loan volume to these borrowers declined and continued to trail aggregate performance and area demographics. Overall, these comparisons reflect poor performance.

The following table shows the distribution of home mortgage loans for 2018 and 2019.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	24.3	2.7	0	0.0	0	0.0
2019	24.3	2.1	1	1.0	719	1.0
Moderate						
2018	15.1	10.8	12	5.1	1,961	1.5
2019	15.1	8.9	4	3.8	749	1.1
Middle						
2018	16.6	18.2	20	8.5	4,900	3.7
2019	16.6	18.5	10	9.5	1,966	2.8
Upper						
2018	44.0	50.2	189	80.8	100,571	76.7
2019	44.0	52.9	75	71.4	38,495	54.1
Not Available						
2018	0.0	18.0	13	5.6	23,707	18.1
2019	0.0	17.7	15	14.3	29,241	41.1
Totals						
2018	100.0	100.0	234	100.0	131,139	100.0
2019	100.0	100.0	105	100.0	71,170	100.0
<i>Source 2015 ACS; Bank Data, 2018 & 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Response to Complaints

HSB did not receive any CRA-related complaints during the evaluation period; therefore, this criterion did not affect the overall rating.

COMMUNITY DEVELOPMENT TEST

HSB's community development performance demonstrates adequate responsiveness to community development needs in its assessment area, primarily through qualified investments and community development loans. Examiners considered the institution's capacity and the need and availability of such opportunities in the assessment area.

Community Development Loans

HSB originated 28 community development loans totaling \$34.2 million during the evaluation period. This represents 3.4 percent of average total assets and 4.2 percent of average total loans

since the prior evaluation. Of the total dollar amount, 82.4 percent benefitted affordable housing, which the community contact identified as a primary community development need in the assessment area. HSB increased community development lending since the prior evaluation, when the bank originated 25 loans for approximately \$16.3 million representing 1.7 percent of average total assets and 1.9 percent of average total loans.

The following table illustrates community development lending activity by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	4	5,830	0	0	0	0	1	728	5	6,558
2019	5	10,260	0	0	0	0	1	750	6	11,010
2020	13	12,095	0	0	0	0	4	4,537	17	16,632
YTD 2021	0	0	0	0	0	0	0	0	0	0
Total	22	28,185	0	0	0	0	6	6,015	28	34,200
<i>Source Bank Records</i>										

Below are examples of HSB’s community development loans.

- In 2019, HSB made a \$1.6 million loan to finance the acquisition of a 17-unit apartment building in Hudson County. All 17 units provide affordable rents, as designated by the U.S. Department of Housing and Urban Development’s (HUD’s) Fair Market Rent (FMR) guidelines. The property is also located in a UEZ.
- In 2019, HSB refinanced a \$3.7 million loan to improve a mixed-use building located in Middlesex County. The property consists of commercial space and four affordable housing apartments in a low-income census tract that is also in a UEZ. The loan will help to revitalize and stabilize the community by retaining businesses and residents in this low-income geography. As the bank was responsive to the community development needs of its assessment area, examiners considered this community development loan outside the bank’s assessment area.
- In 2020, HSB refinanced a \$3.7 million loan to improve a 30-unit apartment building located in Hudson County in a moderate-income census tract. All units in the property provide affordable rents for low- and moderate-income individuals, as designated by HUD’s FMR guidelines.

Qualified Investments

HSB made 36 qualified investments totaling approximately \$11.0 million. This total includes 6 new equity investments totaling \$9.1 million, 27 qualified grants and donations totaling \$45,000, and 3 prior period equity investments totaling \$1.8 million. Qualified investments and donations represent 1.1 percent of total assets and 8.4 percent of total securities as of September 30, 2020. HSB made a similar number of investments as it did during the previous evaluation period, but

increased the dollar volume. During the previous evaluation, the bank made 40 investments totaling \$6.7 million.

The following table illustrates HSB’s qualified investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	3	1,815	0	0	0	0	0	0	3	1,815
2018	1	1,000	0	0	0	0	0	0	1	1,000
2019	2	2,516	0	0	0	0	0	0	2	2,516
2020	3	5,585	0	0	0	0	0	0	3	5,585
YTD 2021	0	0	0	0	0	0	0	0	0	0
Subtotal	9	10,916	0	0	0	0	0	0	9	10,916
Qualified Grants & Donations	0	0	26	40	1	5	0	0	27	45
Total	9	10,916	26	40	1	5	0	0	36	10,961
<i>Source Bank Records</i>										

The bank’s equity investments consist of Federal National Mortgage Association (FNMA) and Government National Mortgage Association mortgage-backed securities collateralized by mortgage loans to low- and moderate-income borrowers and multifamily properties that provide affordable housing for low- and moderate income individuals and families. All investments are located in the assessment area.

Below are examples of the bank’s qualified investments.

- In 2018, the bank purchased a \$1.0 million FNMA security supporting a 15-unit affordable housing project in a low-income census tract in Paterson, New Jersey.
- In 2019, the bank donated \$8,333 to a local veteran’s organization that provides housing to homeless veterans. The organization also provides homeless veterans with physical and mental healthcare, employment opportunities, and free meals through partnerships with local food pantries.
- In 2020, the bank purchased a \$1.4 million FNMA security supporting an affordable housing project for low- and moderate income individuals in a low-income census tract in East Orange, New Jersey. The rents of all 69 units were below HUD’s FMR guidelines.
- During the evaluation period, the bank donated over \$10,000 to a non-profit organization that provides community services for low- and moderate-income individuals located in the assessment area. The donations helped fund educational opportunities, including after-school programs and summer camps for children from low- and moderate-income families.

Community Development Services

During the evaluation period, bank management provided five instances of financial expertise to two community development organizations. The number of services decreased slightly from the previous evaluation period, during which the bank provided eight instances of financial expertise or technical assistance. The following table illustrates HSB’s community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	0	0	0	0	0
2019	0	0	1	0	1
2020	0	0	2	0	2
YTD 2021	0	0	2	0	2
Total	0	0	5	0	5
<i>Source Bank Records</i>					

The following examples summarize the community development services provided by HSB during the evaluation period.

- The bank’s president provides financial expertise while serving on the Board of a non-profit economic development organization located within the assessment area. The organization provides public support for small business owners operating throughout Hudson County, and promotes financial education and networking opportunities.
- A bank vice president serves on the Board of a Certified Development Company (CDC) that offers micro-loans for small businesses backed by the SBA. In addition, the vice president serves on the CDC’s loan committee and provides guidance with budgetary matters, expenditures, and financial statements.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution’s overall CRA rating.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

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 statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.