

PUBLIC DISCLOSURE

May 6, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NorthEast Community Bank
Certificate Number: 29147

325 Hamilton Ave
White Plains, New York 10601

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

350 Fifth Avenue, Suite 1200
New York, NY 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 **Outstanding**.

An institution in this group has an outstanding 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 Outstanding.

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and credit needs of its assessment areas.
- The bank made a substantial majority of its loans in its assessment areas.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among businesses of different sizes.
- 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 Outstanding.

The institution demonstrated excellent responsiveness to the community development needs in its assessment areas through its 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 areas.

DESCRIPTION OF INSTITUTION

NorthEast Community Bank (NECB) is headquartered in White Plains, New York, with operations in southern New York State and parts of eastern Massachusetts. NECB is a wholly owned subsidiary of Northeast Community Bancorp, Inc. (Bancorp), a mid-tier holding company. Bancorp is owned by Northeast Community Bancorp, Mutual Holding Company. Both the parent and mid-tier holding companies are also located in White Plains, New York.

NECB received a “Satisfactory” rating at its previous Federal Deposit Insurance Corporation (FDIC) Community Reinvestment Act (CRA) evaluation dated May 10, 2021, based on Interagency Intermediate Small Institution CRA Examination Procedures.

Operations

NECB operates eleven full-service branch offices and three loan production offices (LPOs) within its assessment areas (AA). Eight branch offices and two LPOs are located in the New York AA, which is in the greater New York City area. Three branch offices and one LPO are located within the Massachusetts AA, which includes portions of the Boston metropolitan area. Since the prior evaluation, the bank opened a branch in Rockland County, New York, in October 2021, and a branch in Sullivan County, New York, in June 2022. The bank did not close any offices, nor engage in any merger or acquisition activity since the prior evaluation.

NECB offers a range of deposit and lending products tailored to meet the needs of its local communities. These products include personal checking and savings accounts, commercial checking and savings accounts, online and mobile banking, as well as commercial and consumer loans. However, NECB does not offer consumer home mortgages; rather, the bank focuses on commercial real estate loans, especially housing construction loans. The bank also offers business loans and is an approved Small Business Administration lender. The bank’s alternative delivery channels and services include the automated teller machine (ATM) network, internet banking, mobile banking, telephone banking, and electronic bill pay.

Ability and Capacity

As of March 31, 2024, the bank reported total assets of \$1.85 billion. Loans are the primary asset at \$1.64 billion, while securities total \$130 million. Deposits total \$1.52 billion.

The following table provides a breakdown of the loan portfolio as of March 31, 2024.

Loan Portfolio Distribution		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	1,279,678	78.0
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	4,647	0.3
Secured by Multi-family (5 or more) Residential Properties	226,438	13.8
Secured by Non-farm Non-Residential Properties	19,130	1.2
Total Real Estate Loans	1,529,893	93.3
Commercial and Industrial Loans	108,882	6.6
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer	1,650	0.1
Obligations of states and political subdivisions	0	0.0
Loans to non-depository institutions	0	0.0
Total Loans	1,640,425	100.0
<i>Source: Report of Condition and Income, 3/31/2024</i>		

There are no financial, legal, or other impediments affecting the bank’s ability to meet the credit needs of its AAs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas (AAs) for which examiners will evaluate its CRA performance. NECB identified the following two separate AAs:

- New York: This AA contains seven counties in the state of New York. The AA includes Bronx, Kings, New York, Rockland, and Westchester Counties, which compose part of the New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area (MSA) #35620. The bank also designated Orange County, which composes a part of the Poughkeepsie-Newburgh-Middletown, NY MSA #39100. With the opening of the bank’s branch in Bloomingburg in June 2022, the bank added Sullivan County to the assessment area, which is in a non-MSA area. Since each of these counties are located entirely within the larger New York-Newark, NY-NJ-CT-PA Combined Statistical Area (CSA) #408, the evaluation presents the bank’s performance in these areas on a combined basis as a single metropolitan AA (New York AA). In addition, this is the bank’s primary AA, as it maintains a majority of its branches, deposits, and lending activity in this area.

The bank amended its AA in August 2023 to remove Kings County due to limited lending. However, since Kings County was part of the bank’s AA for the majority of the evaluation period, Kings County was considered as part of the AA for this review.

- Massachusetts: This AA is composed of Essex, Middlesex, Norfolk, and Suffolk counties, which forms part of the Boston-Cambridge-Newton, MA-NH MSA # 14460, and Worcester County, which composes all of the Worcester, MA-CT MSA #49340. The bank added Worcester County to the AA since the previous evaluation, due to its increased lending activity in Worcester County since 2021. The evaluation presents these areas as one AA (Massachusetts AA), as the MSAs are contiguous and are located within the Boston-Worcester-Providence, MA-RI-NH-CT CSA.

Refer to the separate AA sections of this evaluation for a detailed description of NECB's performance within each AA.

SCOPE OF EVALUATION

General Information

Examiners used the Interagency Intermediate Small Institution CRA Examination Procedures to evaluate NECB's performance since the previous evaluation dated May 10, 2021, to the current evaluation date of May 6, 2024. The procedures consist of the Lending and Community Development Tests (see Appendices). Examiners placed more weight on the bank's performance under the Lending Test in arriving at the overall performance rating.

Examiners used full-scope procedures to assess NECB's performance in its New York and Massachusetts AAs. Examiners placed more weight on the bank's performance in its New York AA, as that area accounted for a greater share of its operations, deposits, and lending activity. However, NECB's activity within its Massachusetts AA was material and affected the overall rating, since it includes 28.6 percent of the bank's branches and 11.8 percent of its total deposits.

Activities Reviewed

Examiners analyzed NECB's CRA performance using construction, home mortgage, and small business loans, as these loan types represent the bank's major product lines based on a review of bank records, business strategy, loan portfolio composition, and discussions with bank management. NECB did not originate any small farm loans during the evaluation period.

Examiners evaluated the bank's construction lending for 2021, 2022, and 2023 using bank records. The bank's construction loans primarily financed the construction of condominium housing for later sale to individual homeowners. (NECB does not provide end user financing for the purchase of the individual units.) Although examiners do not typically evaluate construction financing as part of an institution's CRA performance evaluation, examiners reviewed NECB's construction lending, as these loans represent a substantial portion of the bank's lending activity within its AAs at 79.4 percent by dollar volume and 86.4 percent by number since the prior evaluation. The bank made 532 construction loans totaling about \$1.2 billion within its AAs during the three-year period reviewed. Examiners compared the bank's record of construction lending to the 2015 American Community Survey (ACS) demographic data and to the 2020 United States (U.S.) Census Data.

Examiners reviewed the bank's small business loans for 2021, 2022, and 2023. Small business loans include commercial real estate or commercial and industrial loans and lines of credit in amounts of \$1 million or less. Since the bank is not required to collect or report small business loan data as an intermediate small bank, examiners analyzed internal bank records. The bank made 72 small business loans totaling about \$27.1 million within its AAs during the review period. Examiners compared the bank's record of small business lending to D&B demographic data for 2021, 2022, and 2023.

Examiners reviewed the bank’s home mortgage loans for 2021, 2022, and 2023. The loans include home purchase and home improvement loans, including refinancings, on 1-4 family and multifamily (five or more unit) properties. The bank does not originate consumer home mortgage loans, but instead focuses on lending to real estate investors and developers. In this context, the bank makes loans to corporate entities only, such as limited liability companies. Since the bank was only subject to the Home Mortgage Disclosure Act (HMDA) data reporting requirements in 2023, it did not report home mortgage loan data in 2021 and 2022; therefore, examiners used internal bank records for the analysis for those two years. The bank made 66 home mortgage loans totaling \$164.6 million within its AAs during the review period. Examiners compared the bank’s home mortgage lending to the 2015 American Community Survey (ACS) demographic data and 2020 U.S. Census Data.

Under the Lending Test, examiners placed the most weight on the construction loans, with a secondary emphasis on the small business loans and home mortgage loans based on the number of loans originated and discussions with bank management. The lending review included originations only, as the bank does not purchase loans. In addition, while the evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals and businesses served. Lastly, examiners placed less emphasis on the Borrower Profile criterion, as there was limited borrower income information available. Specifically, borrower income information was available for the small business loans only, as the bank is not required to report borrower income for its home mortgage loans to non-natural persons and had limited information available for the applicable construction loans.

The CRA evaluation reviewed the bank’s community development loans, investments, and services for the period since the May 10, 2021 CRA Performance Evaluation. Qualified investments included new investments and grants, as well as outstanding qualified investments from the prior evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test is rated “Outstanding.” The bank’s performance in the Loan-to-Deposit Ratio, Assessment Area Concentration, and Geographic Distribution criteria primarily supports the rating. The conclusions for NECB’s overall performance are consistent with the bank’s performance in its New York AA, but differed from the Massachusetts AA, which the evaluation rated “Satisfactory.”

Loan-to-Deposit (LTD) Ratio

NECB’s average net LTD ratio is more than reasonable considering the bank’s size, financial condition, and the credit needs of the AAs. The bank had an average net LTD ratio of 105.3 percent based on the 12 quarterly Reports of Condition and Income published since the prior evaluation. The bank’s current net LTD ratio stands at 107.9 percent, as of March 31, 2024.

Examiners compared NECB’s average net LTD ratio to that of several similarly situated institutions selected based on asset size, geographic location, areas served, and lending focus. As shown in the following table, NECB’s average net LTD ratio was higher than all but one of the similarly situated lenders, which demonstrates the bank is an active lender.

Loan-to-Deposit Ratio Comparison		
Institution	Total Assets as of 3/31/2024 \$(000s)	Average Net LTD Ratio (%)
NECB	1,851,203	105.27
Institution 1	1,593,886	59.77
Institution 2	2,259,646	87.57
Institution 3	2,306,539	106.92
<i>Source: Reports of Condition and Income, 06/30/2021 through 3/31/2024</i>		

Assessment Area Concentration

NECB made a substantial majority of its loans inside its AAs for each of the bank’s primary product lines, including construction, small business, and home mortgage lending. As shown in the following table, the bank originated 92.6 percent of its total loans by number and 93.0 percent by dollar volume inside its AAs.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans				Total \$
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Construction										
2021	226	95.4	11	4.6	237	488,270	94.6	27,961	5.4	516,231
2022	188	94.5	11	5.5	199	408,683	95.9	17,383	4.1	426,066
2023	120	98.4	2	1.6	122	322,576	98.1	6,091	1.9	328,667
Subtotal	534	95.7	24	4.3	558	1,219,529	96.0	51,435	4.0	1,270,964
Home Mortgage										
2021	16	72.7	6	27.3	22	22,695	58.8	15,881	41.2	38,576
2022	26	89.7	3	10.3	29	75,679	83.4	15,040	16.6	90,719
2023	24	92.3	2	7.7	26	66,220	79.8	16,800	20.2	83,020
Subtotal	66	85.7	11	14.3	77	164,594	77.5	47,721	22.5	212,315
Small Business										
2021	20	76.9	6	23.1	26	7,674	73.8	2,727	26.2	10,401
2022	29	82.9	6	17.1	35	10,355	85.3	1,786	14.7	12,141
2023	23	76.7	7	23.3	30	9,042	81.4	2,069	18.6	11,111
Subtotal	72	79.1	19	20.9	91	27,071	80.4	6,582	19.6	33,653
Total	672	92.6	54	7.4	726	1,411,194	93.0	105,738	7.0	1,516,932
<i>Source: Bank Data. Due to rounding, totals may not equal 100.0%.</i>										

Geographic Distribution

NECB's geographic distribution of loans reflects an excellent dispersion throughout its AAs on a combined basis. The bank's performance differed among its assessment areas, as it had an excellent dispersion in its New York AA versus a reasonable dispersion in its Massachusetts AA. Examiners placed the most weight on the New York AA in developing the overall conclusion. Refer to the Geographic Distribution comments within the Lending Test section for each AA for a more detailed discussion of the bank's performance.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses of different sizes considering the area's demographics. NECB's performance differed among its assessment areas, as it had a reasonable penetration among businesses of different sizes in its New York AA versus a poor penetration in its Massachusetts AA. Examiners placed the most weight on the New York AA in developing the overall conclusion. Refer to the Borrower Profile comments within the Lending Test section for each AA for a more detailed discussion of the bank's performance.

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

NECB is rated Outstanding for the Community Development Test. The Intermediate Small Bank CRA examination procedures provide the bank flexibility in how to meet community development needs under the Community Development Test. NECB demonstrated excellent responsiveness to the community development needs of its AAs, primarily through its community development lending and qualified investments. The conclusions for NECB's overall performance are consistent with the bank's performance in its New York AA, but differed from the Massachusetts AA, which the evaluation rated "Satisfactory." In making the overall determination, examiners considered the needs of NECB's AAs, the bank's business focus, and the institution's capacity. Please refer to the individual AA sections for a more detailed description of the bank's community development activities.

Community Development Loans

NECB originated 234 community development loans during the evaluation period totaling approximately \$812.9 million. This dollar amount represents 43.9 percent of total assets and 49.6 percent of total loans, as of March 31, 2024, which is substantial. The bank's community development lending represents a significant increase from the prior evaluation, at 143.8 percent by number and 157.7 percent by dollar volume. Similar to the bank's activity at the previous examination, the community development loans focus on affordable housing needs.

The table below shows the distribution of loans by rated area and community development purpose.

Community Development Lending by Assessment Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
New York	226	773,526	0	0	1	2,500	3	26,180	230	802,206
Massachusetts	4	10,702	0	0	0	0	0	0	4	10,702
Total	230	784,228	0	0	1	2,500	3	26,180	234	812,908

Source: Bank Data

Qualified Investments

The bank made 36 qualified investments and donations totaling approximately \$30.1 million during the evaluation period. This represents 1.6 percent of total assets, 89.3 percent of total securities, and 11.3 percent of total equity capital, as of March 31, 2024. The performance represents a significant increase from the previous evaluation, where the bank made 24 investments and donations totaling approximately \$14.6 million. The investments and donations focused on affordable housing and community services, and were all within the bank’s assessment areas.

The table below provides the distribution of the bank’s investment activity by rated area and community development purpose.

Community Development Investments by Assessment Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
New York	7	7,926	11	24	0	0	8	9,797	26	17,747
Massachusetts	9	12,406	1	1	0	0	0	0	10	12,407
Total	16	20,332	12	25	0	0	8	9,797	36	30,154

Source: Bank Data

Community Development Services

NECB performed two community development services during the evaluation period, both in the New York AA. The community development service activity represents a significant decline from the previous evaluation, where the bank provided 83 instances of community development services within the assessment areas. According to management, the COVID-19 pandemic hindered opportunities for bank staff to coordinate opportunities within the respective assessment areas.

NECB maintains four branches in low- and moderate-income census tracts, which enhances access to its banking services for the low- and moderate-income consumers who live in those areas. These branches include two offices in low-income tracts in the New York AA, one office in a moderate-income tract in the New York AA, and one office in a moderate-income tract in the Massachusetts AA.

The bank also offers a low-cost checking account that is of particular benefit for low- and moderate-income consumers. The account has no minimum balance or deposit requirements, no per-check charges, and no overdraft or insufficient funds fees, which is far below the industry standard and makes the account more affordable.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank's compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

NEW YORK - Full-Scope Review

CRA RATING FOR NEW YORK:

The Lending Test is rated: **Outstanding**

The Community Development Test is rated: **Outstanding**

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW YORK

The New York AA comprises a portion of the New York-Newark, NY-NJ-CT-PA CSA. The AA includes all of Bronx, Kings, New York, Orange, Rockland, Westchester, and Sullivan Counties, and is entirely within the greater New York City metropolitan area.

NECB operates eight branch offices and ATMs in this AA. In terms of geographic distribution, two branches are in low-income tracts, one branch is in a moderate-income tract, three branches are in middle-income tracts, and two branches are in upper-income tracts. The reclassification of the census tract income designations based on 2020 U.S. Census data affected how many of the bank's branches are in low- and moderate- income census tracts. Specifically, the income designation for the census tract where the Bronx branch is located changed from low income to moderate income. The bank also operates two LPOs, with one located in Rockland County and one located in Westchester County.

The New York AA accounted for 71.4 percent of the bank's total branches, 88.2 percent of its total deposits, and 90.0 percent of its total construction, small business, and home mortgage loans made within its AAs on a combined basis. As such, examiners weighted this AA more heavily in arriving at the overall performance rating.

Economic and Demographic Data

The New York AA is composed of 1,920 census tracts. Based on the 2020 U.S. Census, the census tracts include 288 low-, 460 moderate-, 483 middle-, and 591 upper-income census tracts, as well as 98 tracts with no-income designation (NA tracts).

The assessment area changed since the previous evaluation due to the addition of Sullivan County. The assessment area also changed due to the nationally revised metropolitan area delineations published by the U.S. Office of Management and Budget (OMB), effective February 2023. The OMB published revised demographic data based on the 2020 U.S. Census. The addition of Sullivan County to the AA and the census tract changes in the 2020 census data resulted in an increase of 165 total census tracts, in addition to changes to existing geographic income classifications. Overall, the AA had an increase of 88 middle-, 26 upper-, and 57 NA- income tracts, and a decrease of 1 low- and 5 moderate-income census tracts.

The following table provides select demographic characteristics for this AA.

Demographic Information New York Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1,920	15.0	24.0	25.2	30.8	5.1
Population by Geography	7,725,699	17.8	25.0	22.6	33.1	1.5
Housing Units by Geography	3,152,088	16.0	22.7	22.4	37.5	1.4
Owner-Occupied Units by Geography	973,987	4.0	14.5	27.6	53.0	0.8
Occupied Rental Units by Geography	1,881,024	23.2	27.6	19.8	27.6	1.7
Vacant Units by Geography	297,077	9.5	18.0	21.8	48.8	1.9
Businesses by Geography	1,133,529	10.5	17.7	17.8	49.2	4.8
Farms by Geography	3,156	5.7	11.6	23.4	55.2	4.1
Family Distribution by Income Level	1,677,778	29.1	15.0	15.2	40.8	0.0
Household Distribution by Income Level	2,855,011	31.0	13.4	13.9	41.7	0.0
Median Family Income - 35614 New York-Jersey City-White Plains, NY-NJ MSA	\$95,165	Median Housing Value				\$597,464
Median Family Income MSA – 39100 Poughkeepsie-Newburgh-Middletown, NY MSA	\$101,784	Median Gross Rent				\$1,604
Median Family Income Non-MSA – Sullivan County	\$74,058	Families Below Poverty Level				16.7%

Source: 2020 Census And 2023 D&B Data () The NA category consists of geographies that have Not been assigned an income classification. Due to rounding, totals may not equal 100%.*

The analysis of small business loans under the Borrower Profile criterion analyzes the distribution of the bank’s small business loans by the gross annual revenue (GAR) of the business for each year. Listed below is the distribution of businesses by GAR in the NY AA according to 2023 D&B data:

- 93.0 percent have GARs of \$1 million or less;
- 2.8 percent have GARs more than \$1 million; and
- 4.2 percent have unknown revenues.

The top employers in the New York-Jersey City-White Plains, NY-NJ MD portion of the bank’s AA, which encompasses much of the bank’s New York AA, are Montefiore Health System, Mount Sinai Health System, JP Morgan Chase & Company, Bank of America, and New York-Presbyterian Health Care System.

According to Moody’s Analytics, the New York-Jersey City-White Plains, NY-NJ MD portion of the bank’s AA is considered the financial capital of the world with economic strengths that include high per capita income, low exposure to manufacturing, a robust healthcare industry, and a highly skilled workforce. Economic weaknesses in the area stem from layoffs and increased unemployment, high costs, rapidly aging infrastructure, and a decreasing population.

The COVID-19 pandemic considerably affected local and global environments. The stay-at-home orders and temporary closures of non-essential businesses that became effective in March 2020, caused significant hardships for both individuals and businesses. The pandemic triggered dramatic

increases in statewide and national unemployment rates. Throughout the majority of the review period, unemployment remained high, but began improving in 2023. As of March 2024, the unemployment rate for the New York–Newark–Jersey City, NY–NJ MSA was 4.3 percent. The national unemployment rate was 3.8 percent, reflecting the individual AA’s ongoing economic challenges and progress in its recovery post-pandemic.

Competition

NECB is not required to collect or report its small business data, and it has not elected to do so. Therefore, examiners did not compare the bank’s small business lending to aggregate reported data. However, the aggregate data is referenced here, as it reflects the demand for small business loans. The 2022 aggregate small business lending data shows that 260 institutions originated 285,334 loans in the AA, which indicates strong competition for this product. The top ten lenders accounted for 65.6 percent of total loans. Most all of the top lenders are large national credit card banks or very large multi-billion dollar regional banks that serve the greater northeast of the country.

The bank was also not required to collect or report its home mortgage loan data in 2021 and 2022. Therefore, examiners did not compare the bank’s home mortgage lending to aggregate reported data, but instead to the appropriate demographic data. Nonetheless, the 2022 aggregate home mortgage lending data shows that 480 institutions originated 97,875 loans in the AA, which indicates strong competition for this product. The top ten lenders accounted for 47.2 percent of total loans. Most all of the top lenders are large national or regional banks that serve the greater northeast region of the country.

Since construction loan data is not traditionally collected, reported, or analyzed for CRA evaluation purposes, there is no aggregate market data available to estimate competition or demand.

The AA is a competitive market for financial services. According to the FDIC Deposit Market Share report as of June 30, 2023, 108 financial institutions operated 1,125 offices within the bank’s AA. Of these institutions, NECB ranked 40th with a less than 0.1 percent deposit market share. The five most prominent institutions with the highest deposit market shares accounted for 75.9 percent of total market share. These entities are large multi-billion dollar depository institutions that serve a much larger multi-state or national area in addition to this AA.

Community Contact

Examiners reviewed a recently conducted community contact with a local community service organization that primarily serves Westchester County. The organization provides support to low-income families and children in its area by partnering with other local nonprofits, raising funds, and organizing community service and financial education events. The contact stressed the importance of financial education in Westchester County, and added that financial institutions can have a positive impact on low- and moderate-income communities in Westchester by hosting and participating in financial literacy events. The contact also identified affordable housing as a primary need in the community, as it is extremely limited in Westchester County. Financial institutions can benefit the community by participating in financing the construction of affordable housing developments. There are community groups and nonprofits in this area that seek to work

with financial institutions to create and offer affordable housing opportunities to low- and moderate-income people in Westchester. Additionally, the contact emphasized the impact of donations and grants to these organizations and the communities they serve.

Credit and Community Development Needs and Opportunities

Based on information from the community contact, bank management, and the demographic and economic data, there are ongoing credit needs in the AA for affordable housing and financial education.

SCOPE OF EVALUATION – NEW YORK

Examiners performed a full-scope review to evaluate and rate the bank’s performance in the New York AA. The evaluation considered construction, small business, and home mortgage loans originated during 2021, 2022, and 2023. Considering the high volume of construction loans in the New York AA, examiners placed more weight on this product type in evaluating the bank’s performance in the New York AA. The evaluation also reviewed community development activities performed since the previous CRA evaluation dated May 10, 2021.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW YORK

LENDING TEST

The bank is rated “Outstanding” under the Lending Test. The bank’s excellent performance in the Geographic Distribution criterion primarily supports this conclusion. As stated previously under the overall *Scope of Evaluation* section, examiners placed less emphasis on the Borrower Profile criterion, as there was limited borrower income information available based upon the nature of the bank’s loan product lines.

Geographic Distribution

The geographic distribution of loans reflects an excellent dispersion within the AA. The bank’s excellent dispersion of its primary loan product line, construction loans, primarily supports this conclusion. Examiners focused on the number of loans in low- and moderate-income geographies to perform this analysis.

Construction Loans

The geographic distribution of construction loans throughout the AA is excellent. Examiners focused on the comparison of the bank’s construction lending to the demographics in the AA. The table below shows the geographic distribution of construction loans by tract income level.

Geographic Distribution of Construction Loans New York Assessment Area					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low					
2021	3.8	69	30.7	132,658	27.3
2022	4.0	73	38.8	211,971	51.9
2023	4.0	49	40.8	149,892	46.5
Moderate					
2021	14.7	93	41.3	164,114	33.8
2022	14.5	48	25.5	79,324	19.4
2023	14.5	32	26.7	73,709	22.9
Middle					
2021	25.4	31	13.8	90,583	18.7
2022	27.6	30	16.0	53,234	13.0
2023	27.6	17	14.2	34,152	10.6
Upper					
2021	55.9	32	14.2	97,952	20.2
2022	53.0	36	19.1	56,054	13.7
2023	53.0	22	18.3	64,823	20.1
Not Available					
2021	0.2	0	0.0	0	0.0
2022	0.8	1	0.5	8,101	2.0
2023	0.8	0	0.0	0	0.0
Totals					
2021	100.0	225	100.0	485,307	100.0
2022	100.0	188	100.0	408,683	100.0
2023	100.0	120	100.0	322,576	100.0
<i>Source: 2015 ACS; 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

As shown in the table, NECB’s performance in the low- and moderate-income geographies significantly exceeded the demographics for all three years in the evaluation period. NECB’s performance in the low-income geographies followed an increasing trend throughout the evaluation period. While NECB’s performance in the moderate-income geographies declined after 2021, it remained well above the demographic comparisons. Overall, the bank’s performance is excellent.

Small Business Loans

The bank’s geographic distribution of small business loans is reasonable. Examiners focused on the comparison of the bank’s small business lending to the percentage of businesses. The table below shows the geographic distribution of small business loans by tract income level.

Geographic Distribution of Small Business Loans New York Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2021	10.4	5	29.4	2,861	38.4
2022	10.3	8	33.3	4,300	46.7
2023	10.5	2	9.5	1,200	14.7
Moderate					
2021	18.9	3	17.6	614	8.2
2022	17.5	3	12.5	630	6.8
2023	17.7	3	14.3	664	8.1
Middle					
2021	16.5	1	5.9	1,000	13.4
2022	17.7	1	4.2	500	5.4
2023	17.8	5	23.8	2,450	30.0
Upper					
2021	51.8	8	47.1	2,969	39.9
2022	49.6	12	50.0	3,770	41.0
2023	49.2	11	52.4	3,853	47.2
Not Available					
2021	2.4	0	0.0	0	0.0
2022	4.8	0	0.0	0	0.0
2023	4.8	0	0.0	0	0.0
Totals					
2021	100.0	17	100.0	7,444	100.0
2022	100.0	24	100.0	9,200	100.0
2023	100.0	21	100.0	8,167	100.0
<i>Source: 2021, 2022 & 2023 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

As shown in the table, NECB’s small business lending in the low-income tracts significantly exceeded demographics in 2021 and 2022 before dropping below comparisons in 2023. NECB’s small business lending in the moderate-income tracts remained slightly below demographics for all three years. The bank’s overall small business lending performance within the low- and moderate-income geographies is reasonable.

Home Mortgage Loans

The geographic distribution of home mortgage loans is reasonable. Examiners compared the bank’s home mortgage performance to demographic information. Given the lower volume of home mortgage loans in this AA compared to the other product lines, examiners placed less emphasis on this product line.

Geographic Distribution of Home Mortgage Loans New York Assessment Area					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low					
2021	3.8	0	0.0	0	0.0
2022	4.0	1	7.7	635	4.0
2023	4.0	2	25.0	1,390	11.1
Moderate					
2021	14.7	2	20.0	3,580	41.9
2022	14.5	2	15.4	3,500	22.1
2023	14.5	1	12.5	1,500	12.0
Middle					
2021	25.4	1	10.0	500	5.8
2022	27.6	2	15.4	630	4.0
2023	27.6	1	12.5	160	1.3
Upper					
2021	55.9	7	70.0	4,469	52.3
2022	53.0	8	61.5	11,089	69.9
2023	53.0	4	50.0	9,475	75.6
Not Available					
2021	0.2	0	0.0	0	0.0
2022	0.8	0	0.0	0	0.0
2023	0.8	0	0.0	0	0.0
Totals					
2021	100.0	10	100.0	8,549	100.0
2022	100.0	13	100.0	15,854	100.0
2023	100.0	8	100.0	12,525	100.0
<i>Source: 2015 ACS; 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Although NECB did not make any home mortgage loans in the low-income tracts in 2021, the bank's home mortgage lending showed an increasing trend in those areas in 2022 and 2023. In fact, NECB's percentage of home mortgage loans in the low-income tracts exceeded demographic data in 2022 and 2023, although the percentages were based on a relatively low volume of loans. NECB's percentage of home mortgage loans in the moderate-income tracts was well above the demographic measure during 2021, but trended down in subsequent years, falling below the comparative measure in 2023.

Borrower Profile

The distribution of borrowers reflects a reasonable penetration among businesses of different sizes in the AA. Examiners based this conclusion on the bank’s small business lending performance only, as borrower income data was unavailable for the bank’s construction and home mortgage loans. As stated previously, revenue data was not available for the construction loans, as the bank extended the loans mostly to new limited liability companies or other entities that usually have neither income nor GAR data from the prior year. NECB did not collect the borrower income information for home mortgage loans since the Home Mortgage Disclosure Act (HMDA) regulation does not require the bank to report this data for loans made to corporate entities. NECB does not offer home mortgage loans to consumer mortgage borrowers, as its business model focuses on lending to real estate investors who typically establish corporate entities to hold their investment properties. Additionally, since the only information available is for small business lending, which is not a primary product for NECB, examiners placed less weight on the bank’s Borrower Profile performance to determine an overall rating.

Small Business Loans

The distribution of small business loans reflects a reasonable penetration of loans to businesses with GARS of \$1 million or less. The following table shows a comparison of the bank’s lending to the business demographics reported by D&B.

Distribution of Small Business Loans by Gross Annual Revenue Category New York Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2021	90.6	6	35.3	1,900	25.5
2022	91.0	7	29.2	1,980	21.5
2023	93.0	8	38.1	2,555	31.3
>\$1,000,000					
2021	3.8	9	52.9	4,144	55.7
2022	3.5	15	62.5	6,220	67.6
2023	2.8	9	42.9	3,112	38.1
Revenue Not Available					
2021	5.6	2	11.8	1,400	18.8
2022	5.5	2	8.3	1,000	10.9
2023	4.3	4	19.0	2,500	30.6
Totals					
2021	100.0	17	100.0	7,444	100.0
2022	100.0	24	100.0	9,200	100.0
2023	100.0	21	100.0	8,167	100.0
<i>Source: 2021, 2022, & 2023 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

NECB’s small business lending performance in the NY AA remained below demographic data for 2021, 2022, and 2023. As NECB does not report small business loans, examiners did not directly compare NECB’s performance to aggregate small business loan data. However, the aggregate small business lending data indicates that small business loan demand among businesses with GARs of \$1 million or less is not as high as the business demographics suggest. For example, the aggregate data in 2021 shows that businesses with GARs of \$1 million or less accounted for 35.8 percent of all reported small business loans, which is much lower than the percentage of businesses of that revenue. Based upon this general demand level, the strong competition in the area, and NECB’s financial capacity and resources, its small business lending performance among businesses with GARs of \$1 million or less is reasonable during 2021, 2022, and 2023.

COMMUNITY DEVELOPMENT TEST

NECB is rated “Outstanding” under the Community Development Test. The bank demonstrated excellent responsiveness to the community development needs of its New York AA primarily through community development loans and qualified investments. Examiners considered the bank’s capacity and the need and availability of community development opportunities.

Community Development Loans

During the evaluation period, NECB originated 230 community development loans totaling \$802.2 million in the New York AA. The loans primarily supported affordable housing to low- and moderate-income people, a primary community development need in the assessment area. The table below illustrates the bank’s community development lending in its New York AA by year and community development purpose.

Community Development Lending New York Assessment Area										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2021 (Partial)	38	94,769	0	0	0	0	0	0	38	94,769
2022	111	351,686	0	0	0	0	0	0	111	351,686
2023	66	252,652	0	0	1	2,500	3	26,180	70	281,332
2024 year to date	11	74,419	0	0	0	0	0	0	11	74,419
Total	226	773,526	0	0	1	2,500	3	26,180	230	802,206

Source: Bank Data

Listed below are notable examples of the bank’s community development loans.

- In 2022, the bank made a \$2.7 million land loan and a \$25.3 million construction loan for the construction of a 12-story building containing 111 residential units and a commercial space in a moderate-income census tract in the Bronx, New York. All residential units in the building will have affordable rents below the fair market rents in the area.
- In 2023, the bank made a \$2 million loan to support the development of a seven-story supportive housing building with 63 units. The building will contain a combination of

affordable housing and support services designed to help individuals and families use housing as a platform for health and recovery following a period of homelessness, hospitalization or incarceration, or for youth aging out of foster care.

- In 2023, the bank made a \$1.4 million land loan and \$15.5 million construction loan for the development of a three-story medical office building in Rockland County, New York. The building will provide space for multi-specialty medical practice groups. The building is located near multiple low-income census tracts. These medical service providers will provide needed medical services to persons in these low-income areas.
- In 2023, the bank made a \$2.5 million loan for the construction of a supermarket in Orange County, New York. The supermarket will create multiple low- and moderate-income jobs. Additionally, the supermarket is located near multiple low-income census tracts, and will serve these low-income areas.

Qualified Investments

The bank made 26 qualified investments and donations totaling \$17.7 million within the New York AA during the evaluation period. The investments primarily supported efforts to revitalize or stabilize low- and moderate-income tracts within the assessment area.

The following table summarizes the bank’s qualified investments and donations by year and community development purpose.

Qualified Investments New York Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	7	7,926	0	0	0	0	2	265	9	8,191
2021	0	0	0	0	0	0	3	8,674	3	8,674
2022	0	0	0	0	0	0	1	53	1	53
2023	0	0	0	0	0	0	2	805	2	805
Subtotal	7	7,926	0	0	0	0	8	9,797	15	17,723
Qualified Grants & Donations	0	0	11	24	0	0	0	0	11	24
Total	7	7,926	11	24	0	0	8	9,797	26	17,747

Source: Bank Data

The following are examples of the bank’s qualified investments:

- During the evaluation period, the bank purchased six municipal bonds totaling approximately \$9.9 million from the Town of Palm Tree, which includes the village of Kiryas Joel. The area is home to the Satmar Hasidic Jewish sect, which typically has large families, contributing to the rapid growth of this area. The Town of Palm Tree will use the bond proceeds to finance various infrastructure projects and obtain equipment to serve the community, which is primarily low income. The purchase of these bonds will help to revitalize and stabilize this low-income area and serve its residents.

- NECB made 11 donations totaling \$23,500 to community service organizations that provide services to low- and moderate-income communities within the AA.

Community Development Services

The bank performed two community development services within the New York assessment area during the evaluation period. Bank management explained that NECB employees refrained from participating in in-person community development service during part of the evaluation period due to safety concerns related to the COVID-19 pandemic. Listed below are the bank's community services in this assessment area:

- Employees presented the FDIC's Money Smart program to a class in an intermediate-elementary school located in a low-income area in Bronx County. This training session provided basic financial literacy skills to students and faculty members in the school.
- A bank officer served on the Board of Directors of 'Meals on Wheels' for Rockland County, New York. The organization, which is comprised of 5,000 community-based programs across the country, is dedicated to helping senior citizens, particularly those who are low-income and require assistance, with obtaining food, improved quality-of-life programs, and other services.

NECB operates three full-services branch offices, including ATMs, in low- and moderate-income census tracts, which enhances customer access to bank services in those areas. These offices include the Kiryas Joel branch, which serves a substantially low-income area.

MASSACHUSETTS – Full-Scope Review

CRA RATING FOR MASSACHUSETTS:

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

DESCRIPTION OF INSTITUTION’S OPERATIONS IN MASSACHUSETTS

The Massachusetts AA comprises a portion of the Boston-Worcester-Providence, MA-RI-NH combined statistical area, and includes all of Essex, Middlesex, Norfolk, Suffolk, and Worcester Counties. NECB operates three branch offices and three ATMs in this AA. In terms of geographic distribution, one branch is in a moderate-income tract and two branches are in middle-income tracts. The bank also operates one LPO in Essex County.

The reclassification of census tract income designations based on 2020 Census Data affected the income classifications of the census tracts for two of the bank’s branches. Specifically, the income designation for the census tract where the Danvers branch is located changed from middle income to moderate income. Additionally, the income designation for the census tract where the Framingham branch is located changed from moderate income to middle income.

Massachusetts accounted for 28.6 percent of the bank’s total branches, 11.8 percent of its total deposits, and 10.0 percent of its total loans. The bank increased loans in Massachusetts by 239 percent since the previous examination. The Massachusetts LTD ratio was 97.6 percent as of March 31, 2024. However, given the small percentage of branches, deposits, and loans in the Massachusetts AA, examiners placed less weight on the bank’s performance within this AA in assigning the overall performance rating.

Economic and Demographic Data

The AA is composed of 1,111 census tracts, including 125 low-, 202 moderate-, 385 middle-, and 355 upper-income census tracts, as well as 44 census tracts with no-income designation (NA tracts).

The AA changed since the previous evaluation due to the addition of Worcester County to the AA and the nationally revised metropolitan area delineations published by the OMB, effective February 2023. The OMB published revised demographic data based on the 2020 U.S. Census. The addition of Worcester County to the AA and the census tract changes in the 2020 census data resulted in an increase of 296 total census tracts, in addition to some changes to existing geographic income classifications. The AA has an increase of 18 low-, 40 moderate-, 97 middle-, 112 upper-, and 29 NA-income tracts.

The following table provides select demographic characteristics for this AA.

Demographic Information Massachusetts Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1,111	11.3	18.2	34.7	32.0	4.0
Population by Geography	4,827,859	10.5	18.5	35.8	34.0	1.2
Housing Units by Geography	1,913,178	10.0	18.7	36.8	33.4	1.1
Owner-Occupied Units by Geography	1,074,302	3.7	14.2	40.4	41.2	0.5
Occupied Rental Units by Geography	729,828	19.0	25.2	31.8	22.2	1.8
Vacant Units by Geography	109,048	12.8	19.4	34.6	31.7	1.6
Businesses by Geography	528,198	7.4	15.1	34.1	41.9	1.5
Farms by Geography	2,647	2.6	8.9	37.5	50.3	0.7
Family Distribution by Income Level	1,128,203	23.1	16.2	19.6	41.1	0.0
Household Distribution by Income Level	1,804,130	26.7	14.4	16.6	42.3	0.0
Median Family Income MSA - 14454 Boston, MA		\$112,607	Median Housing Value			\$546,583
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA		\$121,481	Median Gross Rent			\$1,628
Median Family Income MSA – 49340 Worcester, MA-CT MSA		\$96,860	Families Below Poverty Level			6.4%
<i>Source: 2020 Census And 2022 D&B Data (*) The NA category consists of geographies that have Not been assigned an income classification. Due to rounding, totals may not equal 100%.</i>						

The analysis of small business loans under the Borrower Profile criterion analyzes the distribution of the bank’s small business loans by the gross annual revenue (GAR) of the business for each year. Listed below is the distribution of businesses by GAR in the Massachusetts AA according to 2023 D&B data:

- 89.3 percent have GARs of \$1 million or less;
- 3.9 percent have GARs more than \$1 million; and
- 6.8 percent have unknown revenues.

According to Moody’s Analytics, the Cambridge-Newton-Framingham, MA MD and the Worcester, MA MSA portions of the bank’s Massachusetts AA are performing strongly for the Northeast Region. However, the Boston, MA MD portion of the assessment area is not performing as well as expected, despite being considered the business capital of the region. The area’s economic strength stems from a highly skilled workforce, entrepreneurial support, dynamic tech and biomedical research industries, and labor market stability brought about from the education and healthcare industries. However, the area struggles from high business and living costs, and a reliance on the finance and tech industries, which are susceptible to fluctuations in macroeconomic conditions. The top employers throughout the Massachusetts AA are universities, hospitals, and manufacturing businesses, including, but not limited to, the University of Massachusetts, Harvard University, Mass General Brigham, and Beth Israel Lahey Health.

Competition

NECB is not required to collect or report its small business data, and it has not elected to do so. Therefore, examiners did not compare the bank's small business lending to aggregate reported data. Nonetheless, the 2022 aggregate small business lending data shows that 196 institutions originated 110,436 loans in the AA, which indicates strong competition for this product. The top ten lenders accounted for 80.0 percent of total loans. Most all of the top lenders are large national credit card banks or very large multi-billion dollar regional banks that serve the greater northeast of the country.

The bank was also not required to collect or report its home mortgage data in 2021 and 2022, the most recent years of aggregate data available. Therefore, examiners did not compare the bank's home mortgage lending to aggregate HMDA data. Nonetheless, the 2022 aggregate home mortgage lending data shows that 636 institutions originated 154,259 loans in the AA, which indicates strong competition for this product. The top ten lenders accounted for 34.6 percent of total loans. All of the top lenders are large multi-billion dollar regional and national banks that serve the greater northeast of the country.

Since construction loan data is not traditionally collected, reported, or analyzed for CRA evaluation purposes, there is no aggregate market data available to estimate the competition or demand for this lending.

The AA is also a competitive market for financial services. According to the FDIC Deposit Market Share report as of June 30, 2023, 103 financial institutions operated 1,340 offices within the bank's AA. Of these institutions, NECB ranked 80th with a 0.3 percent deposit market share. The five most prominent institutions with the highest deposit market shares accounted for 74.0 percent of total market share. These entities are large, multi-billion dollar depository institutions that serve a much larger multi-state or national area in addition to this AA.

Credit and Community Development Needs and Opportunities

Based on information from bank management and the demographic and economic data, there are ongoing credit needs in the AA for affordable housing and small business financing.

SCOPE OF EVALUATION - MASSACHUSETTS

Examiners performed a full-scope review to evaluate and rate the bank's performance in the Massachusetts AA. The evaluation of the bank's Lending Test performance in this AA considered construction, small business, and home mortgage loans originated during 2021, 2022, and 2023. Based on the loan volume in the respective product categories within this area, examiners placed greater emphasis on NECB's home mortgage lending performance than on the small business and construction lending performance. While the bank's lending focus in Massachusetts remains on the construction of residential properties, much of the bank's construction lending in this AA involved the rehabilitation of multifamily properties versus new construction due to local demand. Since these construction loans are generally HMDA-reportable as home improvement financing,

examiners analyzed and presented these loans in the Home Mortgage Loans category instead of the Construction Loans category. The evaluation also reviewed community development activities performed since the previous CRA evaluation dated May 10, 2021.

During the evaluation period, the bank also purchased 13 loan participations totaling \$6 million to help meet the credit needs of the Massachusetts AA. The participations represented portions of loans for the purchase, improvement, and refinance of residential properties. Since NECB was not the primary lender on these loans, the loans were not reportable under HMDA as a home mortgage loan. Examiners nonetheless analyzed the loans and presented the information in the appropriate sections of the Lending Test.

CONCLUSIONS ON PERFORMANCE CRITERIA IN MASSACHUSETTS

LENDING TEST

The bank is rated “Satisfactory” under the Lending Test. The bank’s reasonable performance under the Geographic Distribution criterion primarily supports this conclusion. Although the bank’s Borrower Profile performance was poor, examiners placed less emphasis on performance under that criterion, as there was limited borrower income information available based upon the nature of the bank’s loan product lines.

Geographic Distribution

The geographic distribution of loans reflects a reasonable dispersion within the AA. Examiners focused on the number of loans in low- and moderate-income geographies to perform this analysis.

Home Mortgage Loans

The geographic distribution of the bank’s home mortgage loans reflects excellent dispersion in the Massachusetts AA. Examiners focused on the comparison of the bank’s home mortgage lending to the demographic performance in the AA. The table below shows the geographic distribution of home mortgage loans by tract income level.

Geographic Distribution of Home Mortgage Loans Massachusetts Assessment Area					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low					
2021	3.8	2	33.3	1,350	9.5
2022	3.7	7	53.8	18,943	31.7
2023	3.7	3	18.8	11,650	21.7
Moderate					
2021	14.4	3	50.0	4,221	29.8
2022	14.2	2	15.4	12,968	21.7
2023	14.2	6	37.5	15,674	29.2
Middle					
2021	42.5	1	16.7	8,575	60.6
2022	40.4	4	30.8	27,915	46.7
2023	40.4	5	31.3	18,665	34.8
Upper					
2021	39.2	0	0.0	0	0.0
2022	41.2	0	0.0	0	0.0
2023	41.2	2	12.5	7,706	14.4
Not Available					
2021	0.1	0	0.0	0	0.0
2022	0.5	0	0.0	0	0.0
2023	0.5	0	0.0	0	0.0
Totals					
2021	100.0	6	100.0	14,146	100.0
2022	100.0	13	100.0	59,826	100.0
2023	100.0	16	100.0	53,695	100.0
<i>Source: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

As shown in the table, NECB's percentage of lending in the low- and moderate-income census tracts was well above the demographic measure for 2021, 2022, and 2023. Additionally, the bank increased lending in the Massachusetts AA throughout the evaluation period, and is continuing to form new lending relationships in this AA. The bank significantly increased the number of loans made in the Massachusetts AA since the previous examination, when it only made three home mortgage loans over a four-year period. The geographic distribution of home mortgage loans reflects excellent dispersion in the AA during the review period.

As noted previously, the bank also purchased 13 loan participations during 2021 to help meet the credit needs of the assessment area. These participations represented portions of loans for the purchase, improvement, and refinance of residential properties. Of these participation loans, four

loans, or 30.8 percent, related to properties in low-income census tracts, while two loans, or 15.4 percent, involved properties in moderate-income census tracts. These loan participations further enhanced the bank’s performance in the low- and moderate-income census tracts.

Small Business Loans

The geographic distribution of small business loans is reasonable throughout the Massachusetts AA. Examiners focused on the comparison of the bank’s small business lending to the percentage of businesses. The following table shows the geographic distribution of small business loans by tract income level.

Geographic Distribution of Small Business Loans Massachusetts Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2021	7.9	0	0.0	0	0.0
2022	7.0	1	20.0	155	13.4
2023	7.4	0	0.0	0	0.0
Moderate					
2021	15.4	0	0.0	0	0.0
2022	15.2	1	20.0	50	4.3
2023	15.1	1	50.0	50	5.7
Middle					
2021	35.1	3	100.0	230	100.0
2022	33.0	3	60.0	950	82.3
2023	34.1	1	50.0	825	94.3
Upper					
2021	41.2	0	0.0	0	0.0
2022	43.2	0	0.0	0	0.0
2023	41.9	0	0.0	0	0.0
Not Available					
2021	0.4	0	0.0	0	0.0
2022	1.6	0	0.0	0	0.0
2023	1.5	0	0.0	0	0.0
Totals					
2021	100.0	3	100.0	230	100.0
2022	100.0	5	100.0	1,155	100.0
2023	100.0	2	100.0	875	100.0
<i>Source: 2021, 2022, & 2023 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

As shown in the table, NECB originated no small business loans in the low-income census tracts in 2021 and 2023. The bank had just one loan in the low-income tracts in 2022; however, the lending as a percentage of total loans exceeded the demographic measure given the small number of total loan originations. NECB's performance in the moderate-income tracts was slightly better. While the bank originated no small business loans in the moderate-income tracts during 2021, it made one loan each in 2022 and 2023 in those tracts. Similar to the low-income areas, although the lending in the moderate-income tracts was minimal, the lending by percentage of total loans compared well to the demographic measure due to the small number of total loans. Given the low volume of small business loans, examiners had difficulty developing a meaningful conclusion regarding the lending and consequently placed less emphasis on this product line.

Construction Loans

The geographic distribution of construction loans is poor throughout the Massachusetts AA. During the evaluation period, the bank made only one construction loan in the Massachusetts AA, which was not in a low- or moderate-income tract. As noted previously, many of the bank's construction loans in Massachusetts represented home improvement financing and were analyzed and presented in the Home Mortgage Loans section. Given the low volume of construction loans, examiners had difficulty developing a meaningful conclusion regarding the lending and consequently placed less emphasis on this product line.

Borrower Profile

The distribution of borrowers reflects poor penetration among businesses of different sizes in the AA. Examiners based this conclusion on the bank's small business lending performance only, as borrower income data was unavailable for its construction and home mortgage loans. Since small business lending is not a primary product for NECB, examiners placed less weight on the bank's performance under this criterion in determining the overall rating.

Small Business Loans

The distribution of borrowers reflects a poor penetration among business customers of different sizes. The following table displays the distribution of small business loans by gross revenue level.

Distribution of Small Business Loans by Gross Annual Revenue Category Massachusetts Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2021	87.1	1	33.3	30	13.0
2022	88.2	1	20.0	155	13.4
2023	89.3	1	50.0	825	94.3
>\$1,000,000					
2021	4.9	2	66.7	200	87.0
2022	4.3	4	80.0	1,000	86.6
2023	3.9	1	50.0	50	5.7
Revenue Not Available					
2021	8.0	0	0.0	0	0.0
2022	7.4	0	0.0	0	0.0
2023	6.8	0	0.0	0	0.0
Totals					
2021	100.0	3	100.0	230	100.0
2022	100.0	5	100.0	1,155	100.0
2023	100.0	2	100.0	875	100.0
<i>Source: 2021, 2022, & 2023 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

As shown in the table, the bank extended just one small business loan to a business with gross annual revenues of \$1 million or less in each of the three years analyzed. For each year reviewed, the percentage of loans to businesses with gross annual revenues of \$1 million or less was well below the percentage of businesses in that revenue category.

Home Mortgage Loans

As noted previously, borrower income data was generally unavailable for the bank’s home mortgage loans. However, income data was available for some of the bank’s loan participations. Of the 13 purchased loan participations, 9 were for loans extended to individual borrowers with collected income data. Of these 9 loans, 11.1 percent were to low-income borrowers, which was lower than the percentage of low-income families (23.7 percent), and 22.2 percent were to moderate-income borrowers, which exceeded the percentage of moderate-income families (16.7 percent). The bank’s purchased participations represent an effort to address home mortgage credit needs of borrowers of different incomes.

COMMUNITY DEVELOPMENT TEST

NECB is rated “Satisfactory” for the Community Development Test in the Massachusetts AA. While the bank did not provide any community development services during the evaluation period, NECB demonstrated adequate responsiveness to the community development needs through

community development loans and qualified investments. Examiners considered the bank’s capacity and the need and availability of such opportunities for community development in the AA.

Community Development Loans

During the evaluation period, NECB originated four community development loans totaling \$10.7 million. While this represents a slight decrease in the number of community development loans the bank made in Massachusetts compared to the previous evaluation, the dollar amount of community loans increased by 187.1 percent. The loans supported affordable housing to low- and moderate-income people, a primary community development need in the assessment area.

The table below illustrates the bank’s community development lending in its Massachusetts AA by year and community development purpose.

Community Development Lending Massachusetts Assessment Area										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2021 (Partial)	1	2,883	0	0	0	0	0	0	1	2,883
2022	0	0	0	0	0	0	0	0	0	0
2023	3	7,819	0	0	0	0	0	0	3	7,819
2024 year to date	0	0	0	0	0	0	0	0	0	0
Total	4	10,702	0	0	0	0	0	0	4	10,702

Source: Bank Data

The following are examples of the bank’s community development loans in this AA.

- In 2021, the bank made a \$2.9 million loan in Essex County, Massachusetts for the construction of a 24-unit apartment building. The building is in a low-income census tract with affordable rents for the area.
- In 2023, the bank made a \$242,387 loan to fund the renovation of a five-unit apartment building in Suffolk County, Massachusetts. The renovation also added a sixth unit to the apartment building. The building is located in a low-income census tract and will have affordable rents for the area.

Qualified Investments

The bank made 10 qualified investments and donations totaling \$12.4 million within the Massachusetts AA during the evaluation period. The investments primarily supported affordable housing efforts within the assessment area.

The following table summarizes the bank’s qualified investments and donations by both year and community development purpose.

Qualified Investments Massachusetts Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	7	2,406	0	0	0	0	0	0	7	2,406
2021	2	10,000	0	0	0	0	0	0	2	10,000
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
Subtotal	9	12,406	0	0	0	0	0	0	9	12,406
Qualified Grants & Donations			1	1					1	1
Total	9	12,406	1	1	0	0	0	0	10	12,407
<i>Source: Bank Data</i>										

The following describes the bank’s qualified investments:

- In 2021, the bank invested \$12.4 million in a community development fund supporting affordable housing. The bank’s investment activity began in 2017 with \$2.4 million in funding allocated to the AA. In 2021, NECB invested an additional \$10 million. The investment consists of mortgage-backed securities secured by loans to low- and moderate-income borrowers within the assessment area.
- The bank made one donation totaling \$1,000 to a community service organization that provides educational and outreach services to low- and moderate-income individuals within the AA.

Community Development Services

The bank had no community development services within the assessment area during the evaluation period. Bank management explained that NECB employees refrained from participating in in-person community development services during part of the evaluation period due to safety concerns related to the COVID-19 pandemic.

NECB’s Danvers office and ATM are located within a moderate-income census tract. This office enhances access to bank services for persons and businesses in that moderate-income area.

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.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Community Development Test	Rating
MASSACHUSETTS	Satisfactory	Satisfactory	Satisfactory
NEW YORK	Outstanding	Outstanding	Outstanding

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. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank 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 bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank'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 bank's assessment area(s) or a broader statewide or regional area including the bank'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 bank'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.