

PUBLIC DISCLOSURE

September 6, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Magyar Bank
Certificate Number: 30704

400 Somerset Street
New Brunswick, New Jersey 08901

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.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF ASSESSMENT AREA.....	3
SCOPE OF EVALUATION.....	7
CONCLUSIONS ON PERFORMANCE CRITERIA.....	8
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	17
APPENDICES	18
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA.....	18
GLOSSARY	19

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 assessment area credit needs.
- The bank made a majority of its home mortgage and small business loans, by number, in its assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels and 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 demonstrates excellent responsiveness to the community development needs in its assessment area through community development loans, qualified investments, and community development services. Examiners considered the bank's capacity and the need and availability of community development opportunities within the assessment area.

DESCRIPTION OF INSTITUTION

Background

Magyar Bank (Magyar) is a state-chartered savings bank headquartered in New Brunswick, New Jersey. The institution is a wholly owned subsidiary of Magyar Bancorp, Inc. Magyar Bancorp, MHC wholly owns Magyar Bancorp, Inc. Magyar does not have any lending-related subsidiaries or affiliates. Magyar received an “Outstanding” rating at the prior FDIC Performance Evaluation dated November 25, 2019, using Interagency Intermediate Small Bank Examination Procedures.

Operations

Magyar operates seven full-service branches in Somerset and Middlesex Counties in New Jersey. Four branches are located in upper-income census tracts and one branch each is in a low-, moderate- and middle-income census tract, respectively. The bank did not open or close any branches and has not engaged in any merger or acquisition activities since the previous evaluation.

The bank offers a variety of consumer and business loan products with a focus on 1-4 family residential mortgages and commercial real estate loans. Magyar provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit. Alternative banking services include internet and mobile banking, telephone banking access, electronic bill pay, and nine automated teller machines (ATMs).

Ability and Capacity

As of June 30, 2022, assets totaled approximately \$790.6 million, and included total loans of \$625.2 million and total securities of \$101.3 million. Magyar reported total deposits of \$677.2 million. Since the prior evaluation, assets increased by 25.0 percent, total loans increased 17.8 percent, and deposits increased by 29.1 percent. The following table depicts the bank’s loan portfolio distribution as of June 30, 2022.

Loan Portfolio Distribution as of June 30, 2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	23,537	3.7
Secured by Farmland	407	0.1
Secured by 1-4 Family Residential Properties	223,024	35.7
Secured by Multifamily (5 or more) Residential Properties	32,022	5.1
Secured by Nonfarm Nonresidential Properties	302,465	48.4
Total Real Estate Loans	581,455	93.0
Commercial and Industrial Loans	40,604	6.5
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	3,095	0.5
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	7	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	625,161	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires financial institutions to define one or more assessment areas within which examiners will evaluate its CRA performance. Magyar designated a single assessment area in New Jersey encompassing all of Middlesex and Somerset Counties. Middlesex and Somerset Counties are located in Metropolitan Division (MD) 35154 (New Brunswick-Lakewood, NJ). MD 35154 is located in MSA 35620 (New York-Newark-Jersey City, NY-NJ-PA), and it is part of the larger Combined Statistical Area (CSA) 408 (New York-Newark, NY-NJ-CT-PA). The bank has not changed its assessment area since the last evaluation; however, 2020 Office of Management and Budget MSA revisions shifted Somerset County and Middlesex County to MD 35154. Prior to the revisions, Somerset County was in MD 35084 and Middlesex County was in MD 35614.

Economic and Demographic Data

The assessment area includes 243 census tracts that reflect the following income designations according to the 2015 American Community Survey (ACS) data:

- 12 low-income tracts,
- 35 moderate-income tracts,
- 118 middle-income tracts, and
- 78 upper-income tracts

There are three municipalities within the assessment area designated by New Jersey state government 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, an energy sales tax exemption for qualified manufacturing firms, and certain tax credit options.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	243	4.9	14.4	48.6	32.1	0.0
Population by Geography	1,160,904	5.4	13.7	47.7	33.2	0.0
Housing Units by Geography	422,612	4.7	15.0	48.2	32.2	0.0
Owner-Occupied Units by Geography	269,589	1.3	10.8	47.1	40.8	0.0
Occupied Rental Units by Geography	128,467	11.4	22.3	50.8	15.5	0.0
Vacant Units by Geography	24,556	6.4	22.7	47.0	23.9	0.0
Businesses by Geography	135,492	4.1	11.6	46.5	37.9	0.0
Farms by Geography	2,234	4.1	13.0	38.2	44.7	0.0
Family Distribution by Income Level	290,004	14.8	13.1	18.0	54.1	0.0
Household Distribution by Income Level	398,056	17.7	12.5	16.1	53.7	0.0
Median Family Income MSA - 35154 New Brunswick-Lakewood, NJ		\$95,564	Median Housing Value			\$352,905
			Median Gross Rent			\$1,348
			Families Below Poverty Level			5.6%
<i>Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0%</i>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Of the 422,612 housing units in the assessment area, 63.8 percent are owner-occupied, 30.4 percent are occupied rental units, and 5.8 percent are vacant. Owner-occupied housing units reflect the opportunity institutions have to originate 1-4 family residential mortgage loans. As shown above, only 1.3 percent and 10.8 percent of the assessment area's owner-occupied housing units are located in low- and moderate-income geographies, respectively. This data supports the challenges lenders face in originating loans in these geographies, especially the low-income tracts.

Also shown above, 14.8 percent of the assessment area's families are low-income and 13.1 percent are moderate-income. In addition, 5.6 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 to support a monthly mortgage payment, especially considering the assessment area's median home value of \$352,905. This data supports the challenges lenders face in originating loans to low- or moderate-income borrowers.

Examiners used the Federal Financial Institutions Examination Council's (FFIEC)-updated median family income data to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories in MD 35154.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
New Brunswick-Lakewood, NJ Median Family Income (35154)				
2020 (\$112,500)	<\$56,250	\$56,250 to <\$90,000	\$90,000 to <\$135,000	≥\$135,000
2021 (\$113,400)	<\$56,700	\$56,700 to <\$90,720	\$90,720 to <\$136,080	≥\$136,080
<i>Source: FFIEC</i>				

According to 2021 Dun & Bradstreet (D&B) data, there were 135,492 non-farm businesses operating within the assessment area. Gross Annual Revenues (GARs) for these businesses are as follows:

- 89.4 percent have \$1.0 million or less;
- 4.5 percent have over \$1.0 million;
- 6.1 percent have unknown revenues.

Service industries represent the largest portion of businesses at 35.1 percent, followed by non-classifiable establishments at 27.2 percent; retail trade at 9.9 percent; finance, insurance, and real estate at 7.5 percent; construction at 6.1 percent; and transportation, communication at 6.0 percent. In addition, 57.0 percent of area businesses have four or fewer employees, and 92.7 percent operate from a single location.

Data obtained from the U.S. Bureau of Labor Statistics shows that unemployment rates at the county, state, and national level increased significantly from 2019 to 2020 due to the economic impact of the COVID-19 pandemic that began in March 2020. From 2021 through July 2022, unemployment rates improved to near pre-pandemic levels. While unemployment rates fluctuated over the evaluation period, Middlesex and Somerset county unemployment rates generally remained at or below the state and national averages with limited exceptions. The following table presents annual and current unemployment rates for the assessment are counties as well as the state and national levels.

Unemployment Rates				
Area	2019	2020	2021	July 2022
	%	%	%	%
Middlesex County, New Jersey	3.0	8.6	5.7	3.5
Somerset County, New Jersey	2.9	7.6	5.1	3.1
State of New Jersey	3.4	9.5	6.4	4.0
National Average	3.7	8.1	5.4	3.8
<i>Source: Bureau of Labor Statistics</i>				

Competition

The assessment area is highly competitive for financial services. According to the 2021 Deposit Market Share data, 67 institutions operated 375 branches in the assessment area. Of these institutions, Magyar ranked 13th with a 1.9 percent deposit market share.

The assessment area is highly competitive for small business loans among banks, credit unions, and non-depository mortgage lenders. In 2020, 204 lenders made 15,453 small business loans in the assessment area. Magyar ranked 15th out of this group of lenders with a 0.8 percent market share. The five most prominent small business lenders, Bank of America; JPMorgan Chase Bank; Wells Fargo Bank; American Express National Bank; and TD Bank, accounted for over 67.0 percent of total market share.

Aggregate lending data reveals a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. According to the 2020 Home Mortgage Disclosure Act (HMDA) aggregate lending data, 534 lenders originated or purchased 59,767 home mortgage loans in the assessment area. Of these institutions, Magyar ranked 118th with a 0.1 percent market share. The top five lenders in the assessment area were large, national banks or non-banks including, Quicken Loans; Wells Fargo Bank, NA; LoanDepot.com; United Wholesale Mortgage; and NJ Lenders Corp. Collectively, these lenders accounted for 28.2 percent of the total market share.

Community Contact

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 helps determine whether local financial institutions are responsive to those needs. It also shows what types of credit and community development opportunities are available.

Examiners contacted the director of a small business development office in Somerset County. This organization serves as the county's primary resource for the business community. The contact identified that small businesses are in the process of expanding and need more capital to sustain operations, purchase equipment, and/or hire employees. The contact stated that there is a large gap in funding available for small businesses who are trying to grow because most loan opportunities are only available to larger companies. In addition, the industrial spaces within the county are not accessible for small businesses due to the high demand from larger corporation within the area.

Examiners also reviewed a recent community contact with a director for a housing organization that serves Middlesex, Hunterdon, Somerset, and Union Counties. This organization offers affordable housing resources and services to help low- and moderate-income individuals. The contact identified affordable housing as an ongoing issue as housing prices continue to rise. The contact explained that families are having trouble paying rents after the COVID-19 eviction protections ended, and they are also experiencing challenges paying utilities due to the rise of fuel costs.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing loan programs are the primary credit need of the area. Economic and demographic data supports the housing affordability issue that the

community contact identified. There is also demand for working capital loans for small businesses. In addition, financial institutions have an opportunity to work with community development organizations to provide assistance, support operations, and overall mission.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated November 25, 2019, to current evaluation dated September 6, 2022. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate Magyar'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. Please refer to the Appendix for details on the Lending Test and Community Development Test criteria.

Activities Reviewed

Examiners determined that the bank's major product lines are small business and home mortgage loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. The bank's record of originating small business loans contributed more weight to overall conclusions due to the larger loan volume when compared to home mortgage loans. No other loan types, such as small farm or consumer loans, represent a major product line or provide material support for conclusions or ratings; therefore, examiners did not present these products.

Bank records indicate that the lending focus and product mix remained consistent throughout the evaluation period. Due to its asset size, the bank is not required to report its small business lending activity. However, management optionally collected and reported the data, and examiners used it to evaluate the bank's small business lending performance. In 2019, the bank reported 109 loans totaling \$30.6 million; in 2020, the bank reported 423 loans totaling \$65.8 million; and in 2021, the bank reported 282 loans totaling \$53.4 million. For comparison purposes, examiners reviewed 2020 small business aggregate data and D&B demographic data. Aggregate data for 2021 is not yet available.

This evaluation also considered all home mortgage loans that Magyar reported in its 2019, 2020, and 2021 HMDA Loan Application Registers (LARs). In 2019, the bank reported 162 loans totaling \$41.6 million; in 2020 Magyar reported 151 loans totaling \$51.6 million; and in 2021, Magyar reported 117 loans totaling \$41.1 million. For comparison purposes, examiners reviewed 2020 HMDA aggregate data and ACS demographic data. Aggregate data for 2021 is not yet available.

For the Lending Test, 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 businesses and individuals served. The Community Development Test includes the review of all community development loans, investments and donations, and services since the previous evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Magyar demonstrated excellent performance under the Lending Test. The bank's performance in each criterion supports this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. Magyar's LTD ratio, calculated from Call Report data, averaged 92.2 percent over the past 11 calendar quarters from December 31, 2019, to June 30, 2022. The ratio fluctuated during the evaluation period, ranging from a high of 96.1 as of March 31, 2020, to a low of 81.8 percent as of June 30, 2021.

As shown in the following table, Magyar's average net LTD ratio exceeds that of two similarly situated institutions. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Institution	Total Assets \$(000s)	Average LTD Ratio (%)
Magyar Bank	790,615	92.2
First Hope Bank	718,989	67.2
Freedom Bank	654,248	101.8
NVE Bank	687,870	86.0
<i>Source: Reports of Condition and Income</i>		

Assessment Area Concentration

The bank made a majority of its loans, by number, inside of its assessment area; however, by dollar volume, a majority of home mortgage loans and small business loans were outside of the assessment area. The bank originated large investment loans during the review period that were outside of the assessment area. Collectively, the bank originated seven residential investment loans outside of the assessment area that had origination amounts of over \$1.0 million. These loans totaled \$12.3 million. This contributed to higher dollar volume percentage of loans outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	96	59.3	66	40.7	162	18,716	45.0	22,892	55.0	41,608
2020	74	49.0	77	51.0	151	20,716	40.1	30,909	59.9	51,625
2021	65	55.6	52	44.4	117	16,269	39.6	24,864	60.4	41,133
Subtotal	235	54.7	195	45.3	430	55,701	41.5	78,665	58.5	134,366
Small Business										
2019	54	49.5	55	50.5	109	14,181	46.3	16,468	53.7	30,649
2020	238	56.3	185	43.7	423	28,706	43.6	37,092	56.4	65,798
2021	155	55.0	127	45.0	282	23,309	43.7	30,075	56.3	53,384
Subtotal	447	54.9	367	45.1	814	66,196	44.2	83,635	55.8	149,831
Total	682	54.8	562	45.2	1,244	121,897	42.9	162,300	57.1	284,197
<i>Source: Bank Data</i>										
<i>Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The bank's excellent distribution of small business and home mortgage loans supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects excellent penetration throughout the assessment area. Examiners compared the bank's performance to aggregate lending and the percentage of small businesses in each census tract category.

In 2020, Magyar's performance in low-income census tracts significantly exceeded aggregate performance and area demographics. The bank also significantly exceeded demographic data in 2021. Magyar's performance in moderate-income tracts also exceeded aggregate performance and area demographics in 2020 and exceeded area demographics in 2021. This distribution of lending represents excellent performance. The following table reflects the distribution of small business loans by census tract category in 2020 and 2021.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	4.1	3.4	26	10.9	3,245	11.3
2021	4.1	--	19	12.3	3,249	13.9
Moderate						
2020	11.0	10.6	39	16.4	5,128	17.9
2021	11.6	--	25	16.1	3,030	13.0
Middle						
2020	45.8	46.0	100	42.0	12,917	45.0
2021	46.5	--	62	40.0	9,764	41.9
Upper						
2020	39.0	40.1	73	30.7	7,416	25.8
2021	37.9	--	49	31.6	7,266	31.2
Not Available						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2020	100.0	100.0	238	100.0	28,706	100.0
2021	100.0	--	155	100.0	23,309	100.0

Source: 2020 & 2021 D&B Data; Bank Data; 2020 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. Examiners compared the bank’s home mortgage lending to aggregate lending data and the percentage of owner-occupied housing units in low- and moderate-income census tracts.

Magyar’s performance in low-income census tracts significantly exceeded aggregate performance and area demographics in 2020. The bank also significantly exceeded area demographics in 2021. Magyar’s performance in moderate-income census tracts trailed aggregate performance and area demographics; however, in 2021, lending performance in moderate-income census tracts almost doubled, exceeding area demographics. These trends and comparisons reflect excellent performance. The following table reflects the distribution of home mortgage loans by census tract category in 2020 and 2021.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	1.3	1.1	6	8.1	4,624	22.3
2021	1.3	--	4	6.2	998	6.1
Moderate						
2020	10.8	8.2	5	6.8	1,089	5.3
2021	10.8	--	9	13.8	2,858	17.6
Middle						
2020	47.1	43.4	41	55.4	8,972	43.3
2021	47.1	--	27	41.5	6,090	37.4
Upper						
2020	40.8	47.2	22	29.7	6,032	29.1
2021	40.8	--	25	38.5	6,324	38.9
Not Available						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2020	100.0	100.0	74	100.0	20,717	100.0
2021	100.0	--	65	100.0	16,269	100.0
Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Borrower Profile

The distribution of loans reflects excellent penetration among businesses of different sizes and borrowers of different income levels. The bank's excellent small business and home mortgage performance supports this conclusion.

Small Business Loans

The distribution of small business loans reflects excellent penetration of loans to businesses with GARs of \$1.0 million or less. Examiners focused on the comparison to aggregate and demographic data.

In 2020, the bank's record of originating loans to businesses with GARs of \$1.0 million or less significantly exceeded aggregate performance. In 2021, although the number of loans decreased, more than half of Magyar's small business loans were to businesses reporting GARs of \$1.0 million or less. In 2021, Magyar's performance increased as the bank made 54.8 percent of its small business loans to businesses with GARs of \$1.0 million or less. These comparisons reflect excellent

distribution. The following table illustrates the distribution of the bank’s small business loans based on GARs for the calendar year 2020 and 2021.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2020	84.4	37.6	115	48.3	10,457	36.4
2021	89.3	--	85	54.8	10,409	44.7
>\$1,000,000						
2020	6.7	--	86	36.1	15,475	53.9
2021	4.5	--	60	38.7	12,416	53.3
Revenue Not Available						
2020	8.9	--	37	15.5	2,774	9.7
2021	6.2	--	10	6.5	484	2.1
Totals						
2020	100.0	100.0	238	100.0	28,706	100.0
2021	100.0	--	155	100.0	23,309	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data; 2020 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Home Mortgage Loans

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

Magyar’s lending to low-income borrowers significantly exceeded aggregate performance in 2020 and it remained relatively consistent in 2021. The bank’s performance in lending to moderate-income borrowers exceeded area demographics and slightly trailed aggregate performance in 2020. The bank’s performance of lending to moderate-income borrowers improved in 2021, still exceeding area demographics.

The bank offers two distinct mortgage programs that had a positive impact on its Borrower Profile performance. The following describes these programs.

- Magyar Affordable Housing Program – This program assists low- and moderate-income families seeking to purchase a home in the bank’s assessment area. Participants receive numerous benefits, including discounted mortgage rates, reduced down payment requirements, zero points, and a refund of the application fee. During the review period, the bank originated eight loans for \$1.2 million through this program.
- American Dream Program – Magyar participates in this Middlesex County-wide program, which provides low- and moderate-income families down payment, closing costs, and

rehabilitation assistance. The amount of assistance provided may not exceed \$10,000 and requires attendance in a homebuyer-training course. During the review period, the bank originated one loan for \$78,922.

The following table reflects the distribution of home mortgage loans by borrower income level in 2020 and 2021.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	14.8	4.1	6	8.1	683	3.3
2021	14.8	--	5	7.7	888	5.5
Moderate						
2020	13.1	15.4	10	13.5	1,638	7.9
2021	13.1	--	11	16.9	1,605	9.9
Middle						
2020	18.0	23.1	15	20.3	3,082	14.9
2021	18.0	--	9	13.8	2,432	14.9
Upper						
2020	54.1	40.5	26	35.1	7,461	36.0
2021	54.1	--	23	35.4	6,675	41.0
Not Available						
2020	0.0	16.8	17	23.0	7,852	37.9
2021	0.0	--	17	26.2	4,668	28.7
Totals						
2020	100.0	100.0	74	100.0	20,717	100.0
2021	100.0	--	65	100.0	16,269	100.0
<i>Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

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

Magyar’s community development performance demonstrates excellent responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services. Examiners considered the bank’s capacity and the need and availability of community development opportunities within the assessment area.

Community Development Loans

During the evaluation period, Magyar originated 27 community development loans totaling \$20.1 million that supported revitalization and stabilization, community services, and affordable housing. Of this volume, nine loans totaling \$1.8 million are located within the bank’s assessment area. Since Magyar was responsive to community development needs and opportunities within its assessment area, examiners considered an additional 18 community development loans totaling \$18.3 million that benefitted the broader regional or statewide area, primarily in the bordering Monmouth County. This overall level of activity represents 2.7 percent of average total assets and 3.4 percent of average total loans since the prior evaluation. The following table illustrates the bank’s 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)
2019	1	1,350	1	250	0	0	0	0	2	1,600
2020	1	105	3	500	0	0	4	3,900	8	4,505
2021	2	331	4	750	0	0	9	11,865	15	12,946
YTD 2022	0	0	1	474	0	0	1	550	2	1,024
Total	4	1,786	9	1,974	0	0	14	16,315	27	20,075

Source: Bank Data

The following are notable examples of the bank’s qualified community development loans.

- During the evaluation period, the bank made three loans totaling \$1.3 million to a non-profit community service agency contracted with the New Jersey Department of Children and Families. Loan proceeds provided working capital for the organization to advance its mission of offering financial resources and supportive services for low- and moderate-income families, and individuals with mental health, behavioral, and substance abuse challenges residing in Somerset County.
- In 2020, the bank made a \$1.5 million loan to finance the acquisition and development of a vacant lot located in a low-income census tract and designated UEZ in Monmouth County. Loan proceeds supported a critical infrastructure project that will attract businesses and residents in an area designated for redevelopment by the City of Long Branch.

- During the evaluation period, the bank made two loans totaling \$263,500 to a non-profit community housing organization headquartered in Middlesex County for the purchase of residential properties to serve as transitional housing for individuals with intellectual and developmental disabilities. The organization promotes affordable housing development and provides essential services to individuals with disabilities to ensure full inclusion and active participation in all aspects of society. A majority of the organization’s clientele are from low- and moderate-income families.
- In 2021, the bank made a \$172,500 loan to purchase a six-unit apartment complex in a moderate-income census tract in Mercer County. All units offer rents below the U.S. Department of Housing and Urban Development’s (HUD’s) Fair Market Rent guidelines. Loan proceeds supported affordable housing in a county adjacent to the bank’s assessment area, and is responsive to the community development needs of the broader statewide area.

Qualified Investments

Magyar made 117 qualified investments totaling \$5.0 million during the evaluation period. This total includes two new qualified investments totaling \$3.7 million, two prior period investments with a current book value of \$1.1 million, and 113 qualified grants and donations totaling \$228,000. Qualified investments equate to 0.7 percent of average total assets and 8.1 percent of average total securities since the prior evaluation. Nearly all of the bank’s qualified investments, by dollar volume, benefited affordable housing efforts, demonstrating the bank’s responsiveness to a primary community development need of the assessment area. The following table illustrates the bank’s qualified investments by activity year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	2	1,120	0	0	0	0	0	0	2	1,120
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	1	2,099	0	0	0	0	0	0	1	2,099
YTD 2022	1	1,587	0	0	0	0	0	0	1	1,587
Subtotal	4	4,806	0	0	0	0	0	0	4	4,806
Qualified Grants & Donations	11	23	65	124	0	0	37	81	113	228
Total	15	4,829	65	124	0	0	37	81	117	5,034

Source: Bank Data

The bank’s prior period investments include two securities collateralized by mortgage loans to low- and moderate-income borrowers in the assessment area, with a current book value of \$1.1 million. During the evaluation period, the bank purchased two securities totaling \$3.7 million collateralized by mortgage loans to low- and moderate-income borrowers.

Below are notable examples of the bank’s qualified grants and donations during the evaluation period.

- The bank made three donations totaling \$15,000 to a school district located in a low-income census tract in Middlesex County. The school district used donation proceeds to provide need-based scholarships for high school students pursuing higher education. A significant majority (98.0 percent) of the district’s students qualify for free- or reduced-price lunches under the National School Lunch Program.
- The bank made four donations totaling \$13,000 to a non-profit HUD-certified housing resource center that creates opportunities for low-income homeowners to obtain affordable housing in Somerset County. The organization also offers first-time homebuyer education, credit counseling workshops, and one-on-one counseling to low- and moderate-income families and individuals.
- The bank provided over \$78,500 in donations to a non-profit organization operating a historic theater in a low-income census tract and designated UEZ in Middlesex County. Donation funds supported the organization’s arts and culture enrichment programs and funded major site renovations to attract new artists from diverse backgrounds.
- The bank made four donations totaling \$10,760 to a non-profit organization whose mission is to create lasting solutions to the problems of poverty, hunger, and food insecurity. The organization offers free meals to those in need through partnerships with over 150 local food pantries throughout Middlesex County. During the COVID-19 pandemic, the organization provided drive-by food services.

Community Development Services

During the evaluation period, Directors, management, and staff provided 67 instances of financial expertise or technical assistance to 18 community development organizations. These community development services had a primary purpose of affordable housing, community services, economic development, and revitalization and stabilization. The following table illustrates the bank’s community development services by activity year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	0	0	0	0	0
2020	1	13	5	1	20
2021	2	18	5	1	26
YTD 2022	3	13	4	1	21
Total	6	44	14	3	67
<i>Source: Bank Data</i>					

The following are examples of the bank's community development services.

- An Assistant Vice President (AVP) serves on the financial committee for a non-profit organization in Somerset County that provides permanent housing for low- and moderate-income individuals through its HomeSharing initiative. In addition, the organization offers financial education for families designed to help them with homeownership. In this role, the AVP provides technical skills and assists with budgeting and recordkeeping.
- A bank employee presented two virtual residential mortgage homebuyer seminars in partnership with a non-profit affordable housing agency in Somerset County. During these presentations, the employee provided financial education to prospective homebuyers regarding accessing various types of credit, including state and local grant programs.
- The bank's president serves on the Board of an economic development organization managed by a group of business and community leaders. The organization's mission is to sustain economic growth in Middlesex County through real estate, business, and cultural development. The organization is located in a low-income census tract and supports small businesses operating in the assessment area.
- A Vice President (VP) serves on the Board of a non-profit community service organization that provides life skills training, educational opportunities, and financial resources for low- and moderate-income students in a low-income tract in Middlesex County.

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 institutions 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.