

PUBLIC DISCLOSURE

June 21, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Finance Factors, Ltd.
Certificate Number: 25158

1164 Bishop Street
Honolulu, Hawaii 96813

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office

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

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INSTITUTION RATING

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

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

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area (AA) credit needs.
- A substantial majority of home mortgage loans are in the institution's AAs.
- The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AAs.
- The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among individuals of different income levels including LMI.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

The institution's community development (CD) performance demonstrates adequate responsiveness to CD needs in its AAs through CD loans, qualified investments, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's AAs.

DESCRIPTION OF INSTITUTION

Finance Factors, Ltd. (FFL) is a state-chartered, depository financial services loan company headquartered in downtown Honolulu, Hawaii. FFL is wholly-owned by its holding company, Finance Enterprises Limited, located in Honolulu, Hawaii. FFL requested CD service activities from its affiliate, Finance Insurance, Ltd., to be considered during this evaluation. Finance Insurance, Ltd. is an independent insurance agency serving the community and the insurance needs of Hawaii. Based on Interagency Intermediate Small Institution Examination Procedures, the institution received a Satisfactory rating at its previous FDIC CRA Performance Evaluation dated April 15, 2019.

FFL operates 13 full-service branches on the four major islands in the state of Hawaii: nine branches on Oahu, two branches on Hawaii, one branch on Kauai, and one branch on Maui. The institution also operates a loan production office in the United States Territory of Guam. During the evaluation period, FFL relocated its branch on Maui to a new location less than one mile from the closed location. The branch remained in the same middle-income census tract (CT).

FFL is primarily a residential mortgage lender that offers fixed or variable rate residential mortgage loans, home equity line of credit, and construction loans. The institution also offers commercial loans, including commercial real estate, multi-family, line of credit, industrial, mixed-use buildings, and Small Business Administration 504 loans. Limited consumer loan products are offered. Deposit product offerings include savings accounts, time deposit accounts, and individual retirement accounts. The institution also offers safe deposit boxes. FFL does not operate any proprietary ATMs. Alternative delivery systems offered include online banking and mobile banking via a phone application.

Based on information from the Reports of Condition and Income as of March 31, 2022, FFL had total assets of \$543.7 million, including total loans of \$365.8 million and total deposits of \$449.2 million. The loan portfolio distribution by loan type is illustrated in the following table.

Loan Portfolio Distribution as of 3/31/2022		
Loan Category	\$(000s)	%
Construction and Land Development	25,971	7.1
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	208,253	56.9
Secured by Multifamily (5 or more) Residential Properties	72,548	19.8
Secured by Nonfarm Nonresidential Properties	60,132	16.5
Total Real Estate Loans	366,904	100.3
Commercial and Industrial Loans	0	0.0
Agricultural Loans	0	0.0
Consumer Loans	395	0.1
Other Loans	0	0
Less: Unearned Income	(1,456)	(0.4)
Total Loans	365,843	100.0
<i>Source: Reports of Condition and Income Due to rounding, totals may not equal 100.0%</i>		

Examiners did not identify any financial, legal, or other impediments that limit the institution's ability to meet the credit needs of its AAs.

DESCRIPTION OF ASSESSMENT AREAS

FFL designated three AAs comprising of whole counties in the state of Hawaii:

- Honolulu AA – Honolulu County on the island of Oahu, which includes the entirety of the Urban Honolulu, Hawaii MSA #46520.
- Maui AA – Maui County on the island of Maui, which includes the entirety of the Kahului-Wailuku-Lahaina, Hawaii MSA #27980. The AA does not include the islands of Lanai, Moloka'i, and Kaho'olawe. Since the previous evaluation, Kalawao County is no longer a part of the Maui AA.
- Hawaii Non-MSA AA – Hawaii and Kauai Counties on the islands of Hawaii and Kauai, excluding the islands of Ni'ihau and Ka'ula.

The following table details the counties, number of CTs, and branches located within each AA.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Honolulu	Honolulu	244	9
Maui	Maui	34	1
Hawaii Non-MSA	Hawaii, Kauai	66	3
<i>Source: 2015 ACS Census and Bank Records</i>			

The AAs comply with the technical requirements of the CRA and do not arbitrarily exclude LMI neighborhoods. Refer to the individual AAs for additional information.

Designated Disaster Areas

For Federal Emergency Management Agency designated disaster areas, examiners considered bank relief activities that revitalize or stabilize designated disaster areas for a period of 36 months following the declaration date. In the state of Hawaii, the agency declared numerous major disasters which impacted one or more of the institution's AAs. On September 12, 2018, the agency declared a disaster in response to Tropical Storm Olivia, which impacted all of FFL's AAs. On April 1, 2020, the agency declared the COVID-19 pandemic a disaster which impacted all of the institution's AAs. On July 25, 2020, the agency declared a disaster in response to damages from Hurricane Douglas which affected all of the institution's AAs.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated April 15, 2019 to the current evaluation dated June 21, 2022. To evaluate FFL's CRA performance, examiners used the Interagency Intermediate Small Institution Examination Procedures. Examiners relied on records provided by the institution, demographic data, community contacts, reported loan information, and public financial and loan information.

Of the institution's three AAs, examiners evaluated the performances in the Honolulu and Maui AAs using full-scope examination procedures. The Honolulu AA was selected for full-scope examination procedures because FFL has a larger presence and volume of activities in this AA. The Maui AA was selected for full-scope examination procedures since it was evaluated using limited-scope examination procedures at the previous evaluation. Examiners evaluated performance in the Hawaii Non-MSA AA using limited-scope examination procedures as this AA was evaluated using full-scope examination procedures at the previous evaluation. The Honolulu AA is given the most weight in this Performance Evaluation, as it is the AA where the institution is headquartered and where a substantial majority of the institution's loans and deposits are generated.

As requested by the institution, the CD service activities from its affiliate, Finance Insurance, Ltd., were reviewed and considered in this evaluation.

Activities Reviewed

Examiners determined that FFL's major product line is home mortgage loans. This conclusion primarily considered the institution's business strategy, loan portfolio composition, and lending activity during the evaluation period. According to the institution's loan trial balance, examiners determined that home mortgage lending remains the primary lending focus of the institution. While the institution offers small business and consumer loans, the number and dollar volume are nominal and are not considered major product lines; therefore, these product types did not provide material

support for conclusions and was not analyzed or presented. FFL does not offer or extend small farm loans.

FFL was required to collect and report home mortgage lending data during the evaluation period. Therefore, this evaluation considered all originated or purchased home mortgage loans from January 1, 2019 to December 31, 2021 as reported on FFL's HMDA loan application registers. FFL originated or purchased a total of 719 home mortgage loans totaling \$380.8 million during these years.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage loans. While the number and dollar volume of loans are presented, examiners emphasized performance by number of loans as it is a better indicator of the number of individuals served. FFL's lending performance is compared to the 2015 ACS Census data, 2019 and 2020 aggregate lending data, and other information gathered as part of the evaluation process, including community contacts. More emphasis was placed on comparison to aggregate lending data. Aggregate lending data for 2021 was not available at the time of this evaluation. Examiners also compared current lending performance against the institution's prior CRA performance and noted any differences within the evaluation. Where feasible, the performance of comparable institutions was also used as a comparison.

For the CD Test, examiners considered all qualified CD activities from April 15, 2019 through June 21, 2022. The evaluation of CD activities is limited to those loans, investments, and services which management could demonstrate meet the primary purpose of CD. CD activities were evaluated quantitatively based on the financial capacity of the bank as well as qualitatively based upon the impact to the AAs. Examiners also compared the institution's CD performance with its performance at the previous evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test is rated Satisfactory. The Geographic Distribution and Borrower Profile performances primarily support this conclusion.

Loan-to-Deposit Ratio

FFL's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and AAs credit needs. Over the previous 12 quarters, the average net loan-to-deposit ratio was 82.9 percent. The ratio ranged from a low of 78.2 percent as of June 30, 2019 to a high of 86.6 percent as of September 30, 2020. The ratio remained generally stable throughout the evaluation period. Based on asset size, geographic location, and lending focus, examiners identified one similarly-situated institution to compare FFL's average loan-to-deposit performance. The following table illustrates the similarly-situated institution's average net loan-to-deposit ratio compared to FFL's ratio over the evaluation period.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 03/31/2022 (\$000s)	Average Net LTD Ratio (%)
Finance Factors, Ltd.	543,722	82.9
Similarly-Situated Institution #1	899,601	69.4
<i>Source: Reports of Condition and Income 6/30/2019 through 3/31/2022</i>		

Assessment Area Concentration

A substantial majority of home mortgage loans, by number and dollar volume, are in the institution's AAs. The current evaluation's performance improved when compared to the previous evaluation where FFL originated 93.1 percent by number and 89.2 percent by dollar volume inside its AAs. The following table details the lending activity and performance during the current evaluation period.

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	154	90.6	16	9.4	170	74,192	80.0	18,579	20.0	92,771
2020	368	99.2	3	0.8	371	179,410	97.3	5,045	2.7	184,455
2021	178	100.0	0	0.0	178	103,610	100.0	0	0.0	103,610
Total	700	97.4	19	2.6	719	357,212	93.8	23,624	6.2	380,836
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

FFL's geographic distribution of loans reflects reasonable dispersion throughout the AAs. The conclusion for this criterion is primarily supported by reasonable dispersion in the Honolulu AA and excellent dispersion in the Maui AA. The performance is consistent throughout the AAs. Examiners focused on the percentage by number of loans in LMI CTs. Refer to the Geographic Distribution sections of each full- and limited-scope AAs for more details.

Borrower Profile

FFL's distribution of borrowers reflect reasonable penetration among individuals of different income levels throughout the AAs. The conclusion for this criterion is primarily supported by reasonable penetration in the Honolulu AA and excellent penetration in the Maui AA, and the performance is consistent throughout the AAs. Examiners focused on the percentage by number of loans to LMI borrowers. Refer to the Borrower Profile sections of each full- and limited-scope AAs for more details.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

FFL’s CD performance demonstrates adequate responsiveness to CD needs in its AAs through CD loans, qualified investments, and CD services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for CD in the institution’s AAs.

Community Development Loans

During the evaluation period, FFL originated 11 CD loans totaling \$19.9 million. This represents 3.5 percent of average total assets and 5.2 percent of average net loans since the previous evaluation. The institution’s CD loan ratios improved significantly when compared to the previous evaluation’s ratios of 1.8 percent of average total assets and 3.9 percent of average net loans. The following table illustrates FFL’s CD loans originated during the evaluation period by year and CD purpose.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Honolulu	9	18,537	0	0	0	0	2	1,383	11	19,920
Maui	0	0	0	0	0	0	0	0	0	0
Hawaii Non-MSA	0	0	0	0	0	0	0	0	0	0
Total	9	18,537	0	0	0	0	2	1,383	11	19,920

Source: Bank Records

Information from the community contacts indicate that CD opportunities and needs exist in the AAs. However, FFL’s CD loan activities only benefited the Honolulu AA and the institution did not originate any CD loans in the Maui or Hawaii Non-MSA AAs. At the previous evaluation, FFL made 1 CD loan totaling \$2.8 million in the Hawaii Non-MSA and had no CD loans in the Maui AA. Refer to the full-scope Honolulu AA analysis for additional information and notable examples.

Qualified Investments

During the evaluation period, FFL made 44 qualified equity investments, grants, and donations totaling approximately \$1.2 million. This total consists of 10 equity investments totaling \$1.1 million and 34 grants or donations totaling \$76,000. The total qualified investments represents 0.2 percent of total average assets and 1.3 percent of average total securities since the previous evaluation. These ratios reflect a substantial increase from the prior evaluation’s qualified investment performance of 0.1 percent of average total assets and 0.4 percent of average total securities. The following table reflects the number and dollar volume of qualified investments by CD purpose made in each AA during the evaluation period.

Qualified Investments and Donations by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Honolulu	1	75	14	41	0	0	0	0	15	116
Maui	9	1,023	2	4	0	0	0	0	11	1,027
Hawaii Non-MSA	0	0	1	1	0	0	0	0	1	1
Statewide Activities	2	4	15	26	0	0	0	0	17	30
Total	12	1,102	32	72	0	0	0	0	44	1,174
<i>Source: Bank Records</i>										

The majority of qualified investments addressed affordable housing needs, which was an identified CD need in the Honolulu and Maui AAs. Further, the institution made qualified statewide investments that benefitted multiple AAs and the state of Hawaii.

The following is a notable example of qualified statewide donations:

- FFL made multiple donations totaling \$9,200 to a non-profit organization that provides financial education, coaching, homebuyer preparation training, and down payment assistance to LMI individuals and families in the state of Hawaii. The organization also provides foreclosure prevention. The organization’s activities are especially responsive to several CD needs and opportunities identified in the AAs.

Community Development Services

During the evaluation period, 10 bank employees provided a total of 1,639 hours of financial expertise or technical assistance to CD organizations within the institution’s AAs. Total hours provided during the evaluation period significantly increased compared to the previous evaluation’s total of 414 hours. It is noted that the previous evaluation’s total was less than half the total provided during the previous two evaluations in 2016. Examiners noted that while the total hours increased, no CD services were directly contributed in the Maui or Hawaii Non-MSA AAs. However, employees contributed CD service activities to organizations that operate at the statewide and regional levels which benefitted the AAs. The following table illustrates FFL’s CD service hours by AA and CD purpose during the evaluation period.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Honolulu	144	213	0	603	960
Maui	0	0	0	0	0
Hawaii Non-MSA	0	0	0	0	0
Statewide Activities	12	313	0	0	325
Regional Activities	354	0	0	0	354
Total	510	526	0	603	1,639
<i>Source: Bank Records</i>					

The following are notable example of statewide and regional CD service activities.

- In 2021, a bank employee contributed 342 hours serving as a Director on the Federal Home Loan Bank’s Board of Directors. The Federal Home Loan Bank engages in many CD activities and contributes a percentage of its net income each year to affordable housing programs. Furthermore, the Federal Home Loan Bank awards grants to help meet the housing needs of LMI individuals and families. These hours and activities benefitted the state of Hawaii as well as other states and territories within the region.
- One bank employee contributed a total of 115 hours providing financial expertise as a committee member for a non-profit organization which facilitates homeownership training services. The majority of recipient homebuyers are LMI individuals and families. The organization also provides down payment assistance program to low-income families.

Refer to the Honolulu AA for additional notable examples.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

HONOLULU AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN HONOLULU AA

The Honolulu AA consists of the entire Honolulu County. FFL is headquartered in and operates nine full-service branches in the Honolulu AA: four branches in upper-income CTs, four branches in middle-income CTs, and one branch in a moderate-income CT.

Based on the 2015 ACS Census data, the Honolulu AA consists of 244 CTs reflecting the following designations:

- 10 low-income CTs
- 51 moderate-income CTs
- 103 middle-income CTs
- 65 upper-income CTs
- 15 CTs with no income designation

Economic and Demographic Data

The following table illustrates select AA economic and demographic characteristics.

Demographic Information of the Assessment Area						
Assessment Area: Honolulu						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	244	4.1	20.9	42.2	26.6	6.1
Population by Geography	984,178	3.2	22.3	46.4	28.0	0.2
Housing Units by Geography	341,239	2.9	24.0	45.2	27.8	0.1
Owner-Occupied Units by Geography	168,551	1.0	12.0	48.4	38.6	0.0
Occupied Rental Units by Geography	141,051	5.4	37.5	41.4	15.6	0.2
Vacant Units by Geography	31,637	2.3	28.1	44.9	24.6	0.2
Businesses by Geography	84,776	4.0	17.9	37.5	37.1	3.4
Farms by Geography	1,305	4.1	14.4	45.3	34.3	2.0
Family Distribution by Income Level	217,945	19.6	18.4	22.0	40.0	0.0
Household Distribution by Income Level	309,602	22.4	16.7	19.6	41.4	0.0
Median Family Income MSA - 46520 Urban Honolulu, HI MSA		\$86,366	Median Housing Value			\$523,593
			Median Gross Rent			\$1,637
			Families Below Poverty Level			6.5%
<small>Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</small>						

According to D&B data as of June 2021, the Honolulu AA contains a total of 86,081 businesses, comprised of 84,776 non-farm businesses and 1,305 farm businesses. Service industries represent the largest portion of businesses at 37.0 percent, followed by non-classifiable establishments at 28.0 percent and retail trade at 10.7 percent. Approximately 92.2 percent of businesses operate from a single location and 55.8 percent of business have 4 or fewer employees.

The FFIEC publishes annual estimates of median family income levels for MSAs and MDs. The median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The following table reflects the FFIEC-estimated median family incomes in the Honolulu AA throughout the evaluation period.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Urban Honolulu, HI MSA Median Family Income (46520)				
2019 (\$99,000)	<\$49,500	\$49,500 to <\$79,200	\$79,200 to <\$118,800	≥\$118,800
2020 (\$101,600)	<\$50,800	\$50,800 to <\$81,280	\$81,280 to <\$121,920	≥\$121,920
2021 (\$106,000)	<\$53,000	\$53,000 to <\$84,800	\$84,800 to <\$127,200	≥\$127,200
<i>Source: FFIEC</i>				

Examiners obtained the following economic information from Moody's Analytics as of March 2022.

The Honolulu economic environment is improving, but the recovery has slowed. Of the jobs lost due to the pandemic, slightly over half have been regained and the jobless rate continues to exceed the area's long-term average. Tourism and private services have underperformed as COVID-19 virus variants and virus-related uncertainties continue to negatively impact the Honolulu hospitality and travel industries. The public sector has also encountered challenges with unchanging payrolls over the prior six months. The U.S. Pacific Command and U.S. Pacific Fleet are headquartered in Honolulu and the local economy continues to benefit from the military personnel presence and corresponding federal funding. The housing price growth rate in the area has slowed but continues to surpass the national average. Economic strengths of the area include above average educational levels, significant military presence, high per capita income, and an attractive climate for travelers and retirees. Area weaknesses consist of high costs, unaffordable housing, an economic dependence on consumer spending, weak migration trends, and reliance on imported energy sources. The top employers in the area include Schofield Barracks, Pearl Harbor Naval Complex, and Fort Shafter.

Competition

The market for financial services in the Honolulu AA has a relatively low level of competition and is largely controlled by a small number of local institutions. According to the June 30, 2021 FDIC Deposit Market Share Report, 13 banks operate 159 branches and share \$44.9 billion in deposits within the AA. The top 3 institutions control 80.4 percent of the AA's deposit market share with a combined \$36.1 billion in deposits. The three largest financial institutions are First Hawaiian Bank, Bank of Hawaii, and American Savings Bank, FSB. According to the same data, FFL maintains

\$382.5 million in deposits, representing 0.9 percent of the AA's total deposits and ranking the institution 8th in the AA based on deposit market share.

In the Honolulu AA, there is a moderate level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. According to 2020 peer mortgage loan data, 244 mortgage lenders reported a total of 67,084 originated or purchased residential mortgage loans. FFL ranked 36th among competing financial institutions with a market share of 0.5 percent. The top 3 home mortgage lenders accounted for 24.8 percent of total market share.

Community Contact

Examiners reviewed one existing community contact with an affordable housing organization that serves the Honolulu AA. The contact identified a need for financial education, including basic knowledge in money management to build credit history before applying for a mortgage loan. Low inventory of affordable housing statewide serves as a barrier, but financial education on how to better manage finances can improve the position of families trying to qualify for loans.

Credit and Community Development Needs and Opportunities

Based on economic information, community contacts, and bank information, examiners identified CD needs for affordable housing, including affordable rental units and financial education in the Honolulu AA. In 2020 and 2021, opportunities for home mortgage lending also increased due to lower interest rates and elevated financing demand. Lastly, as a result of the pandemic, there were more opportunities for community services.

CONCLUSIONS ON PERFORMANCE CRITERIA IN HONOLULU AA

LENDING TEST

The Lending Test performance in the Honolulu AA is Satisfactory. The Geographic Distribution and Borrower Profile support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA. The following table illustrates the geographic distribution of home mortgage loans in the Honolulu AA by year and CT income level.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Honolulu						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	1.0	0.6	0	0.0	0	0.0
2020	1.0	0.5	1	0.4	355	0.3
2021	1.0	--	2	1.6	273	0.4
Moderate						
2019	12.0	11.9	18	17.5	5,673	10.6
2020	12.0	10.2	23	8.6	10,245	7.2
2021	12.0	--	18	14.3	7,640	10.3
Middle						
2019	48.4	43.0	50	48.5	28,369	53.2
2020	48.4	42.8	123	46.1	60,915	43.0
2021	48.4	--	69	54.8	35,629	47.9
Upper						
2019	38.6	44.5	35	34.0	19,294	36.2
2020	38.6	46.4	120	44.9	70,290	49.6
2021	38.6	--	37	29.4	30,855	41.5
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	103	100.0	53,336	100.0
2020	100.0	100.0	267	100.0	141,805	100.0
2021	100.0	--	126	100.0	74,397	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

In 2019, FFL did not make home mortgage loans in low-income CTs. Aggregate performance showed that there were limited lending in low-income CTs in 2019. In 2020, the institution's performance was similar to aggregate performance. In 2021, FFL's lending in low-income CTs as a percentage by number of loans increased even though the total loan originations decreased. Lending performance in low-income CTs reflects a decline compared to the previous evaluation's performance of 6.0 percent and 5.9 percent in 2017 and 2018, respectively.

In 2019, the institution's lending performance in moderate-income CTs surpassed corresponding aggregate lending data. In 2020, lending performance decreased and was slightly below aggregate data. However, in 2021, lending in moderate-income CTs increased despite the decrease in total loan originations. Current lending performance in moderate-income CTs represents a slight

improvement compared to the previous evaluation's performance of 12.0 percent and 7.8 percent in 2017 and 2018, respectively.

Borrower Profile

Given the demographics of the AA, the distribution of borrowers reflects reasonable penetration among individuals of different income levels, including LMI. The following table shows the distribution of loans by borrower income level during the evaluation period.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Honolulu						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	19.6	3.2	4	3.9	1,346	2.5
2020	19.6	2.5	9	3.4	4,315	3.0
2021	19.6	--	8	6.3	2,288	3.1
Moderate						
2019	18.4	12.1	13	12.6	4,136	7.8
2020	18.4	11.4	37	13.9	12,065	8.5
2021	18.4	--	22	17.5	9,783	13.1
Middle						
2019	22.0	23.5	20	19.4	7,715	14.5
2020	22.0	21.9	80	30.0	34,770	24.5
2021	22.0	--	26	20.6	12,553	16.9
Upper						
2019	40.0	41.1	48	46.6	25,587	48.0
2020	40.0	37.7	123	46.1	81,445	57.4
2021	40.0	--	63	50.0	43,439	58.4
Not Available						
2019	0.0	20.1	18	17.5	14,552	27.3
2020	0.0	26.5	18	6.7	9,210	6.5
2021	0.0	--	7	5.6	6,334	8.5
Totals						
2019	100.0	100.0	103	100.0	53,336	100.0
2020	100.0	100.0	267	100.0	141,805	100.0
2021	100.0	--	126	100.0	74,397	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

In 2019 and 2020, FFL’s home mortgage lending performance to LMI borrowers was slightly above aggregate lending data. In 2021, lending performance to both LMI borrowers reflected an increasing trend despite the decrease in total loan originations.

COMMUNITY DEVELOPMENT TEST

FFL’s CD performance demonstrates excellent responsiveness to the CD needs of the Honolulu AA through CD loans, qualified investments, and CD services. Examiners considered the institution’s capacity and the need and availability of such opportunities for CD in the AA.

Community Development Loans

During the evaluation period, FFL originated 11 CD loans totaling approximately \$19.9 million in the Honolulu AA. The CD loan total by number and dollar volume represents an increase since the previous evaluation where FFL made 5 CD loans totaling \$7.3 million. The following table shows the number and dollar volume of CD loans originated in the Honolulu AA by year and CD purpose.

Community Development Lending – Honolulu AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	2	10,081	0	0	0	0	1	50	3	10,131
2020	4	4,626	0	0	0	0	0	0	4	4,626
2021	3	3,830	0	0	0	0	1	1,333	4	5,163
YTD 2022	0	0	0	0	0	0	0	0	0	0
Total	9	18,537	0	0	0	0	2	1,383	11	19,920

Source: Bank Records

The following CD loans are notable examples in this AA.

- In 2021, FFL originated a \$3.0 million loan to construct a 23-unit affordable housing apartment building in Honolulu. The loan supported a development project to construct additional affordable housing units that conforms to the city and county ordinance plan for affordable housing. The loan is particularly responsive to the identified CD need for affordable housing rentals in the Honolulu AA.
- In 2020, the institution originated a \$1.6 million loan to facilitate the purchase of a rental property with 5 units of affordable housing. This loan is considered responsive to the identified CD need for affordable housing rentals in the AA.
- In 2019, FFL initiated a \$50,000 line of credit to a borrower to facilitate the maintenance and renovations of a commercial building. The property is located in a moderate-income CT and inside an enterprise zone. The building consists of seven units, with five of the units leased to small business tenants.

Qualified Investments

In 2019, FFL made 3 investments totaling \$74,262 in a Low income Housing Tax Credit (LIHTC) fund that directly impacts affordable housing needs in the Honolulu AA. This investment fund provided funding to construct 62 affordable housing rental units targeted to LMI residents. Total qualified investments and donations in the Honolulu AA represent a decrease from the previous evaluation where FFL made 6 investments and donations totaling \$417,235. Examiners determined that the institution’s LIHTC investments were responsive to the identified CD need for affordable housing.

Community Development Services

During the evaluation period, 8 bank and affiliate employees provided a total of 960 hours of financial expertise or technical assistance to CD organizations that operate in or serve the Honolulu AA. The current evaluation’s service hours represent a significant increase when compared to the previous evaluation where FFL contributed 64 CD service hours in the Honolulu AA. The following table details the CD service activities by year and CD purpose during the current evaluation.

Community Development Services – Honolulu AA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	0	63	0	0	63
2020	0	67	0	0	67
2021	144	71	0	400	615
YTD 2022	0	12	0	203	215
Total	144	213	0	603	960

Source: Bank Records

The following are notable examples of CD services provided in the AA.

- In 2020 and 2021, 2 bank employees provided a total of 603 hours of financial expertise and technical expertise to a non-profit organization that promotes economic and business development through education and outreach. The organization is located in and serves the surrounding area, which is a designated opportunity and enterprise zone.
- A bank affiliate employee provided 144 CD service hours collaborating with the City and County of Honolulu as well as the U.S. Department of Housing and Urban Development to develop affordable housing program solutions. The hours include addressing Section 8 housing access barriers for LMI populations and reviewing grant requests to select providers for the needs of the homeless population. The employee hours also supported the launch of a department-funded emergency housing program to assist LMI women and other underserved populations.

MAUI AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN MAUI AA

The Maui AA consists of Maui County, excluding the islands of Lanai, Molokai, and Kaho'olawe. FFL operates one full-service branch in the AA located in a middle-income CT.

Based on the 2015 ACS Census data, the Maui AA contains of 34 CTs reflecting the following designations:

- 0 low-income CTs
- 5 moderate-income CTs
- 22 middle-income CTs
- 4 upper-income CTs
- 3 CTs without an income designation

Economic and Demographic Data

The following table details select economic and demographic information of the AA.

Demographic Information of the Assessment Area						
Assessment Area: Maui						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	34	0.0	14.7	64.7	11.8	8.8
Population by Geography	150,203	0.0	10.7	78.1	11.2	0.0
Housing Units by Geography	66,176	0.0	10.5	77.9	11.6	0.0
Owner-Occupied Units by Geography	28,784	0.0	7.9	79.4	12.7	0.0
Occupied Rental Units by Geography	21,082	0.0	15.7	75.4	8.9	0.0
Vacant Units by Geography	16,310	0.0	8.3	78.5	13.2	0.0
Businesses by Geography	17,317	0.0	13.1	76.6	10.3	0.0
Farms by Geography	550	0.0	11.8	76.7	11.5	0.0
Family Distribution by Income Level	34,151	19.0	17.9	22.1	41.0	0.0
Household Distribution by Income Level	49,866	22.5	16.1	19.7	41.7	0.0
Median Family Income MSA - 27980 Kahului-Wailuku-Lahaina, HI MSA		\$76,195	Median Housing Value			\$564,367
			Median Gross Rent			\$1,363
			Families Below Poverty Level			7.3%
<small>Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</small>						

According to D&B data as of June 2021, the Maui AA contains a total of 17,867 businesses, consisting of 17,317 non-farm businesses and 550 farm businesses. The top 3 sectors in the AA are

the service industries representing 37.0 percent, followed by non-classifiable establishments at 25.5 percent and retail trade at 12.5 percent. Approximately 60.4 percent of business have 4 or fewer employees and 92.6 percent of businesses operate from a single location.

According to the FFIEC, the following table lists the median family income and the ranges of the income categories within the Maui AA throughout the review period.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Kahului-Wailuku-Lahaina, HI MSA Median Family Income (27980)				
2019 (\$83,800)	<\$41,900	\$41,900 to <\$67,040	\$67,040 to <\$100,560	≥\$100,560
2020 (\$97,500)	<\$48,750	\$48,750 to <\$78,000	\$78,000 to <\$117,000	≥\$117,000
2021 (\$95,900)	<\$47,950	\$47,950 to <\$76,720	\$76,720 to <\$115,080	≥\$115,080
<i>Source: FFIEC</i>				

Examiners obtained the following economic information from Moody's Analytics as of March 2022.

Maui's economy is supported by a strong tourism industry and has moved to the slow recovery stage. The COVID-19 virus variants have caused a decline of tourism and are harming the leisure and hospitality industry. The unemployment rate is improving, from 18.1 percent in 2020 to 10.2 percent in 2021. However, the rate remains substantially above the 2019 pre-pandemic level of 2.4 percent. Economic strengths in the Maui AA consist of a desirable quality of life that will help bring in wealthy retirees with the enticing location for visitors. Area weaknesses include a dependence on tourism, slow population growth, extremely high costs, unaffordable single-family housing, and below average per capita income. Top employers in the area include Grand Wailea, A Waldorf Astoria Resort; Ritz Carlton Kapalua; and Walmart Inc.

Competition

The competition for deposits in the Maui AA is low and largely controlled by a small number of local institutions. According to the June 30, 2021 FDIC Summary of Deposit data, there were 7 financial institutions in the AA operating 33 branches with a total of \$5.2 billion in deposits. The top 3 financial institutions accounted for 84.8 percent of the AA's deposit market share. FFL maintains \$24.7 million in deposits with a deposit market share of 0.5 percent, ranking 7th among competing financial institutions.

In the Maui AA, there is a moderate level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. According to 2020 peer mortgage loan data, 213 mortgage lenders reported a total of 11,329 originated or purchased residential mortgage loans. FFL ranked 35th among competing financial institutions with a market share of 0.4 percent. The top 3 home mortgage lenders accounted for 20.2 percent of total market share.

Community Contact

Examiners reviewed one existing community contact for the AA. The contact is a non-profit CDFI serving the state of Hawaii as a financial intermediary for loans and grants to businesses. This organization also provides financial technical assistance for businesses located in LMI communities as well as businesses owned by women, minority, and native Hawaiian/Pacific Islanders. The contact stated that financial education is a big need for small businesses, especially start-up businesses in the AA. Property owners and businesses are in need of deferral payment programs and new loans to supplement loss of income during the pandemic. The contact also noted that as the rent eviction prohibition ends, an increase in homelessness is anticipated. Landlords for affordable housing are selling their properties and the properties will likely be rented at higher rates after renovations. The contact also noted that there has been a shortage of construction labor and high cost of materials for home buildings. As a result, the prices of homes have doubled and the need for affordable housing is anticipated to rise significantly.

Credit and Community Development Needs and Opportunities

Based on economic information, the community contact, and bank information, examiners determined that affordable housing, small business technical assistance, access to capital for start-up businesses, and loan deferral programs are CD and credit needs in the AA. Due to inflation and loss of income, there is a need for community services targeted to LMI.

CONCLUSIONS ON PERFORMANCE CRITERIA IN MAUI AA

LENDING TEST

The Lending Test performance in the Maui AA is Outstanding. The Geographic Distribution and Borrower Profile performance support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the AA. The following table shows the geographic distribution of home mortgage loans in the Maui AA by year and CT income level.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Maui						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Moderate						
2019	7.9	10.2	4	20.0	1,401	16.0
2020	7.9	8.9	4	9.8	1,230	7.8
2021	7.9	--	2	15.4	1,509	18.5
Middle						
2019	79.4	74.8	16	80.0	7,336	84.0
2020	79.4	78.0	33	80.5	13,305	84.7
2021	79.4	--	10	76.9	6,475	79.5
Upper						
2019	12.7	15.0	0	0.0	0	0.0
2020	12.7	13.1	4	9.8	1,170	7.5
2021	12.7	--	1	7.7	162	2.0
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	20	100.0	8,737	100.0
2020	100.0	100.0	41	100.0	15,705	100.0
2021	100.0	--	13	100.0	8,146	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

The Maui AA does not have any low-income CTs; therefore, the conclusion is based on performance in moderate-income CTs. In 2019, FFL's lending performance in moderate-income CTs was nearly double aggregate lending data. In 2020, lending performance was above corresponding aggregate lending data. In 2021, lending performance increased as a percentage by number of loans even though total loan originations decreased. The current evaluation lending performance in moderate-income CTs is similar to the performance at the previous evaluation.

Borrower Profile

Given the demographics of the AA, the distribution of borrowers reflects excellent penetration among individuals of different income levels, including LMI. The following table shows the distribution of loans by year and borrower income level during the evaluation period.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Maui						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	20.0	2.2	0	0.0	0	0.0
2020	20.0	3.6	6	14.6	1,200	7.6
2021	20.0	--	1	7.7	162	2.0
Moderate						
2019	18.2	9.6	3	14.3	1,257	14.2
2020	18.2	14.1	9	22.0	2,765	17.6
2021	18.2	--	4	30.8	1,386	17.0
Middle						
2019	22.0	20.6	7	33.3	1,958	22.1
2020	22.0	23.9	11	26.8	4,305	27.4
2021	22.0	--	1	7.7	452	5.6
Upper						
2019	39.8	57.3	9	42.9	4,231	47.8
2020	39.8	45.8	13	31.7	6,945	44.2
2021	39.8	--	7	53.8	6,146	75.5
Not Available						
2019	0.0	10.4	2	9.5	1,414	16.0
2020	0.0	12.6	2	4.9	490	3.1
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	21	100.0	8,860	100.0
2020	100.0	100.0	41	100.0	15,705	100.0
2021	100.0	--	13	100.0	8,146	100.0

*Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

In 2019, FFL did not make any home mortgage loans to low-income borrowers. However, in 2020, performance substantially exceeded aggregate lending data. In 2021, total loan originations decreased, resulting in one loan to a low-income borrower. Lending performance to low-income

borrowers reflects a slight increase compared to the previous evaluation performance of 6.7 percent and 5.9 percent in 2017 and 2018, respectively.

FFL’s lending performance to moderate-income borrowers is strong. In 2019 and 2020, lending performance to moderate-income borrowers surpassed aggregate lending data and reflected an increasing trend year-over-year. In 2021, FFL’s lending performance further increased despite the decrease in total loan volume. The current evaluation’s lending to moderate-income borrowers represents a similar performance compared to the previous evaluation of 26.7 percent and 23.5 percent in 2017 and 2018, respectively.

COMMUNITY DEVELOPMENT TEST

The institution’s CD performance demonstrates poor responsiveness to CD needs in the Maui AA. While the institution did have some qualified investments and grants there were no CD loans and CD services provided, demonstrating poor responsiveness in the AA.

Community Development Loans

FFL did not make any CD loans in the Maui AA during the evaluation period. This level of activity is the same as the previous evaluation.

Qualified Investments

FFL made 11 qualified equity investments, grants, and donations totaling approximately \$1.0 million in the Maui AA. The majority of the investment activities were in LIHTC funds that supported affordable housing projects in the AA. The volume of qualified investments reflects an improvement compared to the previous evaluation where FFL had 1 investment totaling \$2,500 specifically in the Maui AA. The following table shows qualified investments and donations by year and CD purpose during the current evaluation period.

Qualified Investments – Maui AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2019	3	423	0	0	0	0	0	0	3	423
2020	4	500	0	0	0	0	0	0	4	500
2021	2	100	0	0	0	0	0	0	2	100
YTD 2022	0	0	0	0	0	0	0	0	0	0
Subtotal	9	1,023	0	0	0	0	0	0	9	1,023
Qualified Grants & Donations	0	0	2	4	0	0	0	0	2	4
Total	9	1,023	2	4	0	0	0	0	11	1,027

Source: Bank Records

The following are notable examples of qualified investments made in the Maui AA.

- In 2019 and 2020, FFL made 4 investments totaling \$522,375 in a LIHTC fund, which facilitated the construction of 39 affordable housing rental units targeted to LMI seniors. These LIHTC investments are considered responsive to the identified CD need for affordable housing.
- In 2020 and 2021, FFL made 5 investments totaling \$499,771 in a LIHTC fund, which supported the construction of an 81-unit affordable housing project. The units are affordable housing rentals which are restricted to elderly LMI individuals and families. These investments are responsive to the AA's affordable housing CD needs.

Community Development Services

Opportunities for CD services exist in the Maui AA; however, FFL did not engage in any CD service activities specific to the Maui AA during the evaluation period. The current evaluation's CD services performance remains unchanged compared to the previous evaluation.

HAWAII NON-MSA AA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN HAWAII NON-MSA AA

The Hawaii Non-MSA AA consists of the entire Hawaii and Kauai Counties, excluding the islands of Ni’ihau and Ka’ula. During the evaluation period, FFL operated three full-service branches in the AA: one in a low-income CT, one in a middle-income CT, and one in an upper-income CT.

Based on the 2015 ACS Census data, the Hawaii Non-MSA AA contains 66 CTs reflecting the following designations:

- 3 low-income CTs
- 6 moderate-income CTs
- 29 middle-income CTs
- 8 upper-income CTs
- 20 CTs without an income designation

The following table details select demographic information for the Hawaii Non-MSA AA.

Demographic Information of the Assessment Area						
Assessment Area: Hawaii Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	66	4.5	9.1	43.9	12.1	30.3
Population by Geography	261,173	6.2	13.7	57.9	22.2	0.0
Housing Units by Geography	114,894	6.3	14.5	58.4	20.8	0.0
Owner-Occupied Units by Geography	57,012	4.5	16.3	57.5	21.7	0.0
Occupied Rental Units by Geography	30,441	10.7	11.4	58.4	19.5	0.0
Vacant Units by Geography	27,441	5.2	14.1	60.3	20.4	0.0
Businesses by Geography	21,198	9.6	3.4	66.2	20.8	0.0
Farms by Geography	1,024	4.2	7.5	66.7	21.6	0.0
Family Distribution by Income Level	58,971	22.4	16.0	20.4	41.3	0.0
Household Distribution by Income Level	87,453	26.9	13.9	17.3	41.9	0.0
Median Family Income Non-MSAs - HI		\$64,846	Median Housing Value			\$376,745
			Median Gross Rent			\$1,164
			Families Below Poverty Level			12.3%
<i>Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to D&B data as of June 2021, the Hawaii Non-MSA AA contains a total of 22,222 businesses, of which 21,198 are non-farm businesses and 1,204 are farm businesses. Similar to the rest of the state, the Hawaii Non-MSA AA economies benefit from tourism. Services, which includes leisure and hospitality, account for 36.7 percent of businesses in the AA. Other large industries include non-classifiable establishments at 22.3 percent and retail trade at 13.2 percent. Approximately 60.6 percent of business in the Hawaii Non-MSA have 4 or fewer employees and 90.9 percent of businesses operate from a single location.

The Hawaii Non-MSA AA is the largest by land mass and least densely populated of the Hawaii AAs. Much of the area is somewhat remote or rural. The area’s incomes, rents, and property values are lower than in the metropolitan areas of Hawaii while poverty levels are much higher.

According to the U.S. Bureau of Labor Statistics, unemployment in the non-metropolitan counties fluctuated throughout the evaluation period due to the COVID-19 pandemic and associated travel and business restrictions.

The following table shows the FFIEC median family incomes for the Hawaii Non-MSA AA during the evaluation period.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
HI NA Median Family Income (99999)				
2019 (\$71,300)	<\$35,650	\$35,650 to <\$57,040	\$57,040 to <\$85,560	≥\$85,560
2020 (\$74,900)	<\$37,450	\$37,450 to <\$59,920	\$59,920 to <\$89,880	≥\$89,880
2021 (\$78,800)	<\$39,400	\$39,400 to <\$63,040	\$63,040 to <\$94,560	≥\$94,560
<i>Source: FFIEC</i>				

In the Hawaii Non-MSA AA, the competition for deposits is low and largely controlled by a small number of local institutions. According to the June 30, 2021 FDIC Summary of Deposit, there were 8 financial institutions in the AA operating 46 branches with a total of \$6.6 billion in deposits. The top 3 financial institutions accounted for 88.1 percent of the AA’s deposit market share. FFL maintains \$42.7 million in deposits with a deposit market share of 0.7 percent, ranking 8th among competing financial institutions.

In the Hawaii Non-MSA AA, there is a moderate level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. According to 2020 peer mortgage loan data, 233 mortgage lenders reported a total of 16,529 originated or purchased residential mortgage loans. FFL ranked 37th among competing financial institutions with a market share of 0.6 percent. The top 3 home mortgage lenders accounted for 20.4 percent of total market share.

CONCLUSIONS ON PERFORMANCE CRITERIA IN HAWAII NON-MSA AA

LENDING TEST

The institution's lending performance in the Hawaii Non-MSA AA is below the level of lending in the Honolulu AA but is still at a level consistent with the institution's overall satisfactory lending performance.

Geographic Distribution

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Hawaii Non-MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	4.5	3.1	1	3.3	790	6.6
2020	4.5	3.0	2	3.3	350	1.6
2021	4.5	--	1	2.6	318	1.5
Moderate						
2019	16.3	16.2	4	13.3	752	6.3
2020	16.3	15.2	13	21.7	3,345	15.3
2021	16.3	--	3	7.7	618	2.9
Middle						
2019	57.5	55.0	17	56.7	7,511	62.6
2020	57.5	55.1	31	51.7	13,605	62.1
2021	57.5	--	23	59.0	13,925	66.1
Upper						
2019	21.7	25.7	8	26.7	2,943	24.5
2020	21.7	26.7	14	23.3	4,600	21.0
2021	21.7	--	12	30.8	6,207	29.5
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	30	100.0	11,996	100.0
2020	100.0	100.0	60	100.0	21,900	100.0
2021	100.0	--	39	100.0	21,068	100.0
Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Borrower Profile

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Hawaii Non-MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	22.4	3.4	0	0.0	0	0.0
2020	22.4	2.9	7	11.7	3,005	13.7
2021	22.4	--	0	0.0	0	0.0
Moderate						
2019	16.0	9.3	2	6.7	389	3.2
2020	16.0	9.7	5	8.3	1,185	5.4
2021	16.0	--	8	20.5	1,975	9.4
Middle						
2019	20.4	18.7	8	26.7	1,907	15.9
2020	20.4	19.2	17	28.3	5,185	23.7
2021	20.4	--	6	15.4	4,309	20.5
Upper						
2019	41.3	55.8	18	60.0	9,319	77.7
2020	41.3	52.5	30	50.0	12,270	56.0
2021	41.3	--	25	64.1	14,784	70.2
Not Available						
2019	0.0	12.7	2	6.7	381	3.2
2020	0.0	15.8	1	1.7	255	1.2
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	30	100.0	11,996	100.0
2020	100.0	100.0	60	100.0	21,900	100.0
2021	100.0	--	39	100.0	21,068	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

COMMUNITY DEVELOPMENT TEST

The institution’s CD performance in the Hawaii Non-MSA AA is below the CD performance in the AAs within the MSA portions of the state that were reviewed using full-scope examination procedures; however, it does not change the conclusion for the MSA portions of the state.

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. 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.