S&P Global
Market Intelligence

Flushing Financial Corporation NasdaqGS:FFIC FQ1 2020 Earnings Call Transcripts

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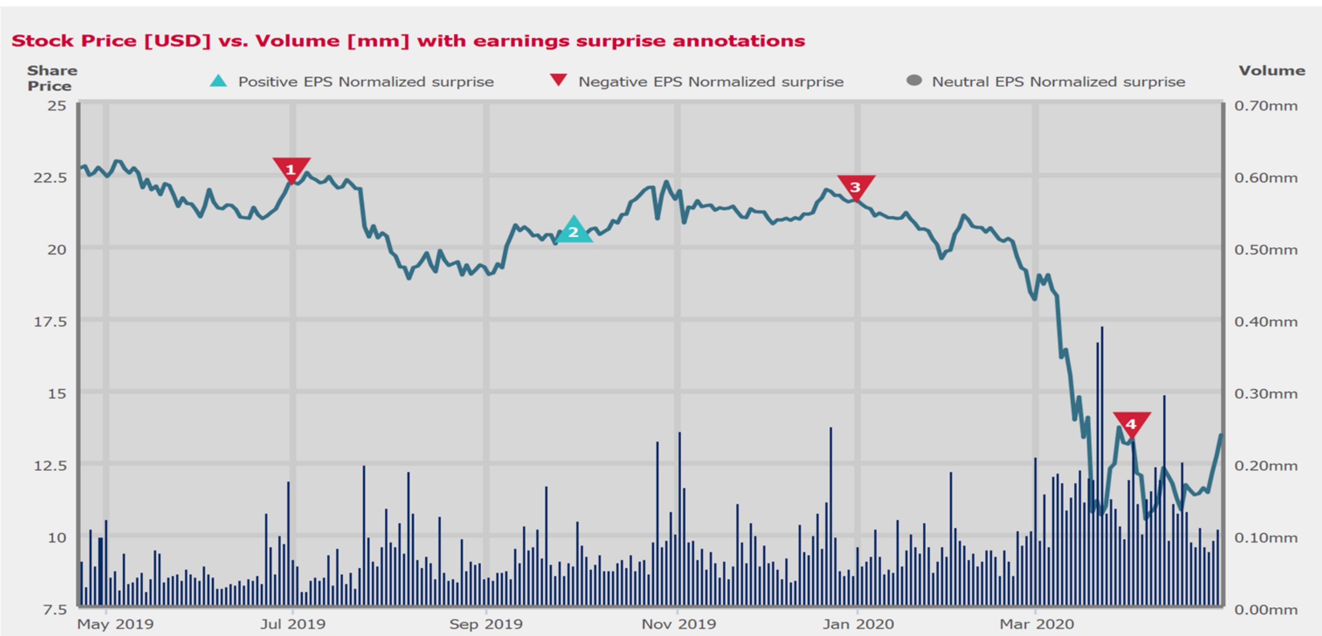
S&P Global Market Intelligence Estimates

	-FQ1 2020-			-FQ2 2020-	-FY 2020-	-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.20	0.19	(5.00 %)	0.21	1.40	1.72
Revenue (mm)	44.15	37.96	(14.02 %)	50.58	196.80	212.94

Currency: USD
Consensus as of Apr-01-2020 3:40 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2019	0.45	0.42	(6.67 %)
FQ3 2019	0.41	0.48	17.07 %
FQ4 2019	0.43	0.41	(4.65 %)
FQ1 2020	0.20	0.19	(5.00 %)

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Call Participants

EXECUTIVES

Francis W. Korzekwinski
Senior EVP & Chief of Real Estate Lending

John R. Buran
President, CEO & Director

Susan K. Cullen
Senior EVP, Treasurer & CFO

ANALYSTS

Steven Comery
G. Research, LLC

Unknown Analyst

Presentation

Operator

Welcome to Flushing Financial Corporation First Quarter 2020 Earnings Conference Call. Hosting the call today are John Buran, President and Chief Executive Officer; Susan Cullen, Senior Executive Vice President, Treasurer and Chief Financial Officer; and Frank Korzekwinski, Senior Executive Vice President and Chief of Real Estate Lending. Today's call is being recorded. [Operator Instructions]

A copy of the earnings press release and slide presentation that the company will be referencing today are available on its Investor Relations website at flushingbank.com.

Before we begin, the company would like to remind you that discussions during this call contain forward-looking statements made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such statements are subject to risks, uncertainties, and other factors that may cause actual results to differ materially from those contained in any such statements. Such factors are included in the company's filings with the U.S. Securities and Exchange Commission. Flushing Financial Corporation does not undertake any obligation to update any forward-looking statements except as required under applicable law.

During this call, references will be made to non-GAAP financial measures as supplemental measures to review and assess operating performance. These non-GAAP financial measures are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the U.S. GAAP. For information about these non-GAAP measures and for reconciliation to GAAP, please refer to the earnings release and/or the presentation.

I'd now like to introduce John Buran, President and Chief Executive Officer, who will provide an overview of strategy and results.

John R. Buran
President, CEO & Director

Thank you. Good morning, everyone, and thank you for joining us for our first quarter 2020 earnings call. I'd like to start by saying our thoughts go out to those most affected by COVID-19, especially those on the front lines of this pandemic. As we navigate through these unprecedented and challenging times, the health and safety of our employees and our customers remain our top priority.

I'll begin today's call by addressing the current COVID-19 pandemic, including decisive actions we're taking in response as well as discuss our first quarter highlights. Then our CFO, Susan Cullen, will provide greater detail on our financial performance, credit quality, capital and liquidity profile. Following our prepared remarks, Susan and I will address your questions.

Starting with Slide 3, we were quick to respond to the pandemic with new health and safety measures, including social distancing, appointment banking, and expansion of remote capabilities to help keep our team members, customers and communities safe and healthy. Today, we have the capability of having our entire staff work remotely. On any given day, as many as 85% of team members work from home. Importantly, we are also actively assisting our customers by providing short-term forbearances in the form of deferrals of interest, principal and our escrow for terms ranging from 1 to 6 months. Through April 17, we have approved forbearances for loans with an outstanding loan balance of approximately $839 million, of which $673 million is in the real estate book and $166 million is in the business banking portfolio.

Given the pandemic and the current economic environment, we continue to see demand from our customers for loan forbearances. We actively participated in the SBA Paycheck Protection Program, gaining approval to fund up to $64 million of these loans and expect to continue with the second round of the program. We also plan to assist our customers through the Main Street Lending Program. I'm proud of our efforts to support our communities by delivering food to brave health care workers and hospitals on the front lines protecting all of us. During this time, we're waving late fees on loans as well as ATM fees for customers and noncustomers.

With that, let me now turn to Slide 4 to provide a summary of our first quarter '20 operating results. While the underlying business fundamentals this quarter performed well, our GAAP earnings for the quarter were affected by 2 COVID-19 related noncash charges totaling $0.38 per share after tax that resulted in a loss of $0.05 per share. The Federal

Reserve's decisive action to cut rates provided the country with much-needed liquidity to help counteract the negative economic effects of the COVID-19 pandemic. As a result, this caused the mark-to-market adjustment to our items carried at fair value and our swaps of $0.20 per share after tax.

At the end of the first quarter, we adjusted our economic forecast in our CECL modeling, which resulted in a $7 million charge to earnings or $0.18 per share after tax. This increased our overall allowance by approximately 30%. Core earnings were $5.5 million or $0.19 per diluted share. Our core revenue before provision for credit losses and taxes totaled $46 million, an increase of 5% quarter-over-quarter. This increase was driven by 3% loan growth for the quarter and a 16 basis point improvement in core net interest margin. Importantly, credit quality has been and remains one of our key strengths. Our nonperforming assets at the end of the quarter were only 23 basis points. Today, 87% of our portfolio is real estate-based with an average loan-to-value of 38% and an average debt coverage ratio of over 1.8. Our multifamily loans are collateralized by rent-regulated buildings in the New York City area, representing 38% of the total loan portfolio. The commercial real estate portfolio, which represents 28% of total loans, is very diverse with limited exposure to big-box retail.

Given the current economic environment due to COVID-19, we remain committed to helping our communities and customers get through this difficult time. We will continue to focus on what we can control: maintain asset quality by working with borrowers, controlling expenses and managing our net interest margin.

As previously noted in our March 23 press release, our pending acquisition of Empire Bancorp has been delayed due to the severe instability and volatility in the U.S. financial and stock markets caused by the COVID-19 pandemic. Flushing and Empire anticipated the closing of the merger will be more likely to occur at the end of the second quarter or early in the third quarter of 2020.

Looking at quarter-end data, loan growth was strong as major categories of multifamily, commercial real estate and business loans showed improvement. Core yields on loans deteriorated by 5 basis points quarter-over-quarter. This was more than compensated for by our improvement in deposit costs. These improved 24 basis points from the prior quarter. Helping to drive that improvement was a 12% increase in our noninterest-bearing accounts.

On Slide 6, nonperforming loans were up about $1 million off of a small base, and we charged off $1 million for the quarter. The loan-to-value on real estate dependent loans amounted to 38% as of March 31, and the average loan-to-value for nonperforming loans collateralized by real estate at March 31 was 29%.

While the quarter started up very well, it ended on the cusp of a very significant change in economic outlook, one of growth and certainty to shrinking GDP and uncertainty. With that, let me turn the call over to Susan to provide additional color on our performance and give details on our asset quality.

Susan K. Cullen
Senior EVP, Treasurer & CFO

Thank you, John. I'll begin on Slide 7. Our solid credit quality metrics have resulted in our coverage ratio increasing to 168% as of March 31, 2020. As we entered the Great Recession, our coverage ratio was 88.2% at June 30, 2008. As we remain in these uncertain times, our coverage ratio is almost doubled from where we started the 2008 financial crisis. The loan-to-value on our real estate portfolio at quarter end totaled a modest 38%, and the debt coverage service ratio for the current quarter's originations of multifamily, commercial real estate, and 1-4 failure mixed-use loans exceeds 1.8%. Importantly, we continue to underwrite each loan using a cap rate in excess of mid-5% and then stress test each loan.

In order to assist our customers during these troubled times, we have been approved to fund approximately $64 million of SBA Paycheck Protection Program loans with over $50 million funded through April 17.

On Slide 8, our charge-offs during the Great Recession were significantly lower than the industry. As a reminder, we actively manage our loan portfolios to identify and resolve problem loans, recording charge-offs early in the delinquency process. We are a historical seller of nonperforming loans. As we continue to strengthen our balance sheet, we remain mindful of maintaining asset quality. As shown here, over 2 decades, Flushing has demonstrated superior credit metrics with industry net charge-offs averaging 7x our net charge-offs since 2000. Of note, our maximum charge-offs were 64 basis points in the midst of the Great Recession, while industry peak charge-offs were nearly 5x that.

Slide 9 shows 90-day delinquencies as a percentage of loans originated by year. Overall, our credit quality remains pristine. Our credit discipline has remained strong for the past 10 years as we've made adjustments to underwriting criteria back in 2009. As a result, in the last 10 vintage years, we have only 15 loans, 90-days-plus delinquencies.

Turning to Slide 11. As a result of the pandemic and stay-at-home orders, we see increased risk to certain industries in our loan portfolio, and we'll continue to actively manage our exposures. This detail includes both the business banking loan and the tenancy of the commercial real estate customers. We provide detail on our exposure. And as you can see, these exposures make up 26% of our total loans. From the $1.5 billion in exposures, 78% is backed by mortgages, while 28% is in forbearance.

On Slide 12, we highlight the metrics related to our real estate portfolio to demonstrate our conservative underwriting subsequent to 2009. Of particular note, the loan-to-value of our real estate portfolio was approximately 48% leading into the Great Recession compared to 38% today.

Continuing on Slide 13. Our CRE portfolio is well diversified and not overly concentrated with any sector. For example, within the retail, there are many subsegments, including shopping centers, strip malls and single tenants.

Similarly, on Slide 14, our business banking portfolio is also well diversified. Approximately 40% of the business banking portfolio is secured by mortgages.

Continuing on Slide 15. We recorded a provision for credit losses of over $7 million in the first quarter of '20, primarily driven by deteriorating economic conditions resulting from the impact of COVID-19. The provision is comprised of $4.9 million due to the economic conditions deterioration and $2.1 million for loan growth and the charge-off replenishment. We adopted CECL on January 1, 2020, using the then favorable economic environment, which resulted in $0.4 million being added to the allowance. The allowance evaluation as of March 31, the forecast showed a deteriorating economy with the rising unemployment and decrease in GDP. Our calculation uses a V-shaped recession, 6-quarter straight-line reversion to historical losses, and we elected the 5-year transition rule for regulatory capital purposes. Any change in assumptions used to calculate the allowance may have an effect on the results. Our credit discipline has served us well coming into this environment, and we'll continue to stay close to our customers and manage that carefully, including loan forbearances as appropriate.

On Slide 16, our core deposits increased 3% quarter-over-quarter and 5% year-over-year. Growth is primarily driven by money market and noninterest-bearing accounts. This change in the deposit mix contributes to the reduction of the cost of deposits by 24 basis points quarter-over-quarter. We continue to focus on the growth of core deposits with an emphasis on noninterest-bearing deposit accounts, which increased over 22% year-over-year. Noninterest-bearing deposits of $489 million represent 10% of total deposits. Importantly, our liquidity remains strong with approximately $1.5 billion of available liquid sources.

Moving to Slide 17. We provide more details on our liquidity by highlighting our low-risk investment securities portfolio.

On Slide 18, we highlight our capital trend, noting that we remain well capitalized and have the liquidity to help our customers and communities with their financial needs during and after this pandemic.

Continuing on Slide 19. We provide additional details on our earning assets and funding mix. We have the ability to reprice over 70% of time deposits and borrowings in less than a year. Also, floating and periodic rate loans represents approximately 75% of total loans. All this provides helpful background as we discuss our NIM on the next slide.

Slide 20 highlights the drivers of change to our core net interest income and core net interest margin. Overall, our core NIM increased 19 basis points from the linked quarter. Core net interest income for the first quarter of 2020 was $43 million, an increase of $3 million quarter-over-quarter.

Continuing on Slide 21, the yield on average interest-earning assets decreased 23 basis points quarter-over-quarter, while the cost of funds decreased 22 basis points. The core net interest margin was 2.49%, up 16 basis points quarter-over-quarter. As a reminder, core net interest margin excludes prepayment penalties, recovery of interest on nonaccrual loans and the mark-to-market adjustment on the qualifying hedges.

On Slide 22, we highlighted a strategy built into the balance sheet we are using to reduce funding costs to support our NIM. As a reminder, we have approximately $900 million of retail CDs scheduled to mature through the first quarter of 2021 at a weighted average cost of 1.90%. As highlighted on the right-hand side, current replacement funding costs significantly lower than maturing CD rates, and we are using wholesale markets when necessary to strategically reduce the cost of funds.

Moving to Slide 23. Noninterest expense increased $3 million or 9% quarter-over-quarter, and the efficiency ratio was 68% compared to 65% last quarter. Core noninterest expense was $31.5 million in the first quarter, an increase of 10% quarter-over-quarter but a decrease of approximately 2% year-over-year. Excluding CECL expenses in the first quarter of 2020, noninterest expenses decreased quarter-over-quarter and year-over-year. Continuing to manage expenses improving the NIM will assist us in achieving our lower efficiency ratio.

Continuing on Slide 24. The ratio of noninterest expense to average assets increased to 1.8% for the first quarter of 2020. In comparison to the first quarter of 2019, the ratio of noninterest expense to average assets improved by 7 basis points. As a reminder, CECL increases in the first quarter include higher expenses due to the impact of annual grants of employee and direct restricted stock unit awards. The company has historically maintained a relatively stable ratio of noninterest expense to average assets. We continue to look for opportunities in our operations for continuous improvement with efficiency gains and expect to gain further efficiencies given our enhanced ability to work remotely.

Regarding taxes for 2020, we approximate the effective tax rate between 22% and 24%.

With that, I'll turn it back to John for some closing comments.

John R. Buran
President, CEO & Director

Thank you, Susan. On Slide 25, I would like to conclude by summarizing how we can come out of this pandemic in a position of continued strength. I'm incredibly proud of what all our team members have been able to do over the past several weeks. We continue to play an essential role in supporting our communities and customers' financial needs.
Our balance sheet, capital and liquidity going into this environment were strong, and our positive core earnings power provides a good base to absorb future credit losses. Stress testing indicates our ability to sustain material credit costs over a multiyear horizon, if necessary. Our credit discipline has served us well coming into this economic environment, and we'll continue to stay close to our clients and manage that prudently.

Our ongoing focus on developing and maintaining a multilingual branch staff to serve our diverse New York City customers remains a key differentiator. The New York City market and its strong Asian customer base continue to represent a significant opportunity for us over the long term. The investment in the Universal Banker model in our branches has been critical in our ability to serve customers in this environment.

Our recent expansion of our digital capabilities has also been critical in this environment and will enhance our footprint and allow for deposit gathering at a total cost cheaper than bricks and mortar while enhancing the customer experience for business and consumer clients.

Despite the current economic environment due to COVID-19, we have a long history and foundation built upon disciplined underwriting, good credit quality and a resilient, seasoned loan portfolio with strong asset protection. As restrictive economic environment eventually begins to lift, we will have a workforce that is more flexible and dynamic as a result of this experience, coupled with a customer base that is highly attuned to our online and mobile banking capabilities.

In conclusion, we will remain focused on preserving capital and liquidity, maintaining asset quality, controlling expenses and managing our net interest margin to get through to the other side of this pandemic a stronger company.
With that, we will now open it up for questions. Operator, I'll turn it over to you.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Steve Comery of G. Research.

Steven Comery
G. Research, LLC

So I wanted to start with deposit pricing. It looks like it was down pretty materially for you guys in general. Maybe kind of talk about what you're seeing from competitors so far? And then have you kind of continued to see this slide in pricing through quarter end?

John R. Buran
President, CEO & Director

So we did have -- as noted in one of the slides in the investor presentation, we did have a pretty significant opportunity on the CD side with -- in total, over $900 million coming due through the first quarter of 2021. So we do see a continued opportunity going forward, and I think it has taken time for some of the larger online institutions like perfect example of [Markus], to come down in rates. We're starting to see that now. So I'm expecting will continue to see the opportunity to bring down our cost of funds in the next few quarters.

Steven Comery
G. Research, LLC

Okay. Very good. And then kind of more holistically on the loan side, so core NIM was up pretty substantially, but a lot of that gain was offset in NII by the hedging marks. So given that rates have been lower, would you expect NII growth in Q2? Or would the hedging marks kind of come in again? How does that sort of play through?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Steve, we state that the hedging marks would come into play again. Everything being equal, we would expect net interest income to grow or stay stable going forward. We wouldn't expect to see the dramatic decrease in the swap rates that we saw from 12/31 to 3/31. The rates dropped over 120 basis points for the tenor of swaps that we have. So I wouldn't expect to see that again.

John R. Buran
President, CEO & Director

I guess the other factor is we're close to -- the Fed is operating at a 0 to 25 basis point projection in terms of the rate environment. And Chairman Powell has publicly come out and talked about the inappropriateness of negative rates for the U.S. So there's not a lot of room to come down that 100 -- another 100 basis points or so in that rate environment.

So unless there's a change in terms of Fed policy and Fed outlook vis--vis negative rates, we think that any further drops are going to be muted. They were clearly may be based upon shape of the curve, et cetera, et cetera. But we think given the level, they're probably going to be a little bit more muted.

Steven Comery
G. Research, LLC

Okay. And just wanted to clarify, Susan, when you said all else equal, does that mean no asset growth either?

Susan K. Cullen
Senior EVP, Treasurer & CFO

No, I'm sorry. I would like to say that I was talking about the economic environment and rates staying where they were. Thank you for clarifying that.

Steven Comery
G. Research, LLC

Okay. So that includes asset growth or...

Susan K. Cullen
Senior EVP, Treasurer & CFO

Well, as John said in his prepared remarks, we're not expecting really a lot of asset growth as we work through this pandemic situation to help our clients and focus on asset quality, capital and maintaining our margins.

Steven Comery
G. Research, LLC

Okay. Okay. I see. So there is -- yes, not expecting much, [indiscernible] anyway. Okay. I get it now. Okay. Just one more for me, talked about expanding mobile capabilities, increasing digital customer reach. Maybe just a little more color on sort of like what the new features are, what the uptick is and like who you guys have been working with?

John R. Buran
President, CEO & Director

Sure. So we've been working with Q2, Synechron and let's see..

Susan K. Cullen
Senior EVP, Treasurer & CFO

MANTL.

John R. Buran
President, CEO & Director

And MANTL. And what we've been able to do is reduce the fallout from our account openings. So we had found we had a fairly old-fashioned and cumbersome account opening process. A lot of the account opening had to go to a manual review in order for us to deal with our fraud issues or fraud abilities to stay away from fraud. These particular vendors have provided a much more flexible environment. And in terms of process, we now are able to run through a larger number of account openings without manual review. So where we had a drop-off rate that was significant because customers just didn't want to wait, now we have something that's much more aligned to what people's expectations are with respect to the amount of time it takes to respond to an account opening request. So we're expecting to see significant improvement in that ability to open accounts more timely, totally online without manual -- with a very, very minimal amount of manual intervention.

In addition, our opening -- our bill pay has been enhanced, and we also have considerably improved opportunity to make changes to the web environment that do not have to go through programming that are managed by our marketing people directly.

We've improved mobile as well. So the mobile capabilities are much stronger. And we have some additional capabilities for businesses, and those will improve in coming releases that will take place over the next several months.

So considerable improvement in the online environment. It came at a very fortuitous time for us, and we expect to be able to leverage that very well in the coming months.

Operator

The next question is from Collyn Gilbert of KBW.

Unknown Analyst

This is Chris filling in for Collyn. So I wanted to start out, I guess, on the operating expenses. I know you have a number of seasonal factors that come into play in the first quarter that don't necessarily stay in there in the second quarter. Maybe with the assumption or excluding the Empire deal or with the assumption that it's closed in the third quarter, can you just talk a little bit about maybe where the compensation line would trend towards in the second quarter and the same thing with other expenses?

Susan K. Cullen
Senior EVP, Treasurer & CFO

I would expect the compensation line to trend more closely related to the fourth quarter of 2019 for the second quarter going forward with about a 3% increase there as we did give our employees raises during the year. And the other operating expenses, again, that should be flat to where it was in the fourth quarter of '19 on our core expenses.

Unknown Analyst

Got it. So less of a decline in the compensation line that you would normally see?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Well, there would be a big decline. Most of the $3 million that is seasonal expenses is related to compensation.

Unknown Analyst

Got it. Okay. And then, I guess, in terms of the long pipeline, I mean, it looks really strong here again going into the second quarter. Can you just talk about a little bit maybe on the composition of that versus the pipeline at 4Q '19 end? I mean, it looks like the long yields had held up extremely well given the move-in in rates here where -- it's at 4 10 now versus 4 18 or so last quarter. I mean, is that current with all the movement in kind of Fed funds and rates coming down over the quarter? It just seems that that's held up really, really well.

John R. Buran
President, CEO & Director

Yes. So I think that the structure of the portfolio, similar to -- the structure of the pipeline is similar to what we've had in the past. I will note, clearly, there has been a slowdown in the closing of loans, the availability for the ancillary organizations like lawyers, the county, et cetera, have not been as readily available so we haven't seen a lot of that start to come to fruition. We started to see a slowdown in loan closings, probably about the middle of March.

Unknown Analyst

Got it. That's helpful. And then moving on to credit, a couple of more specific questions and then we can move out a little bit more broadly. But to Slide 15, you mentioned that you're using a V-shape recovery. And I guess, it seems like maybe that, by all accounts, is not going to be the case. It's going to be a little bit longer or a little bit slower than the original kind of V-shape that I think people are thinking kind of in late March here. So do you see another significant uptick in the reserve related to updated economic forecast as of kind of today, if that were to hold true until the end of this quarter?

Susan K. Cullen
Senior EVP, Treasurer & CFO

So as you said, Chris, the economic forecast would greatly influence the amount of the allowance. I can't make predictions as to where we're going to be at June 30. And so these were our estimates for calculating our allowance, and we'll all watch the economy play out together.

Unknown Analyst

Okay. So I guess said another way, I mean, it says that the forecast period used was 2 quarters, so does that mean you were only going into 3Q '20 for the forecast using the model?

Susan K. Cullen
Senior EVP, Treasurer & CFO

That's correct. We were looking at 2 quarters with the downward economy in our model, yes.

Unknown Analyst

Okay. And do you guys know which model you're using? I know a lot of peers have been using kind of the Moody's models for their CECL for their forecast.

Susan K. Cullen
Senior EVP, Treasurer & CFO

We were not using Moody's.

Unknown Analyst

Okay. Can you say which -- can you disclose which model you are using?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Chris, actually forget the name of that. Primatics was the service provider, with the underlying models with -- that they buy is somebody else's, and I forget the name out of it. But it is -- Primatics is the calculator or model we're using for our CECL calculation.

Unknown Analyst

Got it. Okay. And then on that slide, it seems like the provisioning this quarter for loans that are booked to this quarter was around 75 basis points or so versus where the reserve stands at around 47 basis points. Is that somewhere where maybe we could see the reserve trend to if the current economic environment kind of stays as it is?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Well, remember, we had a charge-off of a little over $1 million, so we needed to replenish that as part of the general -- as part of the provision. Outside of the COVID-19 piece.

Unknown Analyst

I Yes, but I'm talking about the $1.2 million, which is net of charge-off, I guess, on the $159.8 million of growth.

Susan K. Cullen
Senior EVP, Treasurer & CFO

I would expect our allowance to stay in about the ballpark, it is a percentage of gross loans, giving our low loan-to-value in the real estate portfolio and the results of our stress testing.

Unknown Analyst

Okay. And then as far as exposures go, I mean, granted that, obviously, there's just an unprecedented halt in activity right now, so there's going to be a lot of the forbearances in your percentages, similar to peers.

But I mean, how are you guys feeling, I guess, about the retail shopping center? I mean that 51% number kind of jumped out on Slide 11. And as we get through this period and you're kind of looking at the light at the end of the tunnel, I mean, how confident are you that those who get back to cash flowing as they were before in a timely manner?

John R. Buran
President, CEO & Director

So let me make a brief comment about that, and then I'll turn it over to our Head of Real Estate Lending, who can provide a little bit more color.

Clearly, we're dealing here with a retail environment where if you're running a multi-tenanted shopping area of any type, that you're going to have tenants that are either not paying or out of business or seeing their businesses corrupted or disrupted. And clearly, these are definitely the people who need to have some forbearance at this stage of the game. We do feel confident in some respect that the landlords are not going to be looking to kick individual businesses that were functioning and were profitable out but, in fact, would make adjustments as time went on, and we got to a little bit of a more normalized environment.

But I'll turn it over to Frank Korzekwinski, our Head of Real Estate, and he can give you a little bit more color into the portfolio itself.

Francis W. Korzekwinski
Senior EVP & Chief of Real Estate Lending

The overall character of the portfolio that we have are generally smaller centers, usually have some type of key anchor, whether it's a grocery store or something like that. They are generally well-located intersections, whether they be in the city or in Nassau or Suffolk County. So I think the key to revival of the operation of these centers evolves around people getting out again and traveling, going to and from work and going to places where they normally would go, and you will begin to see some of the smaller stores in these centers begin to operate. Many of them are nail salons, hair salons, pet grooming facilities and small businesses such as those types of businesses. So we do expect that once people get out, we'll start to see a return to these shopping centers.

Unknown Analyst

Great. And then last one and then I'll step out. But we've kind of heard a wide array of information from peers on this. I'm just curious on what you guys are hearing, given how close you are to the multifamily market in New York. But could you guys just give some color on maybe where you're seeing rent collections come in for multifamily and then, I guess, mixed CRE?

Francis W. Korzekwinski
Senior EVP & Chief of Real Estate Lending

Sure. Really don't have any hard facts. Relative to collections activities, we expect to start seeing some more data as we progress through May. We do have conversations with our customers from time to time as well as some real estate management firms that we conduct business with. As you may have heard, March was a very good collection month for the multifamily. April started off at a fairly good pace and seemed to have slowed up a little bit. No one's really giving us any guidance in terms of projections, but given the fact that the majority of our housing is in the affordable arena, we are not seeing or not hearing of collections that are below 50%. I think most of the operators we've dealt with have been long-term operators very concerned about the residents that they have in their buildings and are taking action to help people get through this particular crisis.

The retail is a little bit more of a challenge. Obviously, businesses have been disrupted. What we have noticed is the local businesses seem to responded better in terms of rent payments than maybe some of the national tenants. It's easier for these -- it's not as cumbersome for the smaller tenants to maintain its operation as it is possibly for a tenant that has national exposure, multiple locations, large fixed operating expenses. And as Mr. Buran pointed out earlier, we are noticing that landlords are doing their best to work with their tenants so that when things do open up, they can get back into the game.

Operator

There are no more questions in queue. I would like to turn the conference back over to John Buran for closing remarks.

John R. Buran
President, CEO & Director

Well, thank you very much. Thank you all for joining the call. And all of you and your families, please stay safe, and we're all confident we'll get out positively on the other side of this. So thank you again for participating.

Susan K. Cullen
Senior EVP, Treasurer & CFO

Thank you.

Operator
This concludes today's teleconference. You may now disconnect your lines, and we thank you for your participation.