



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2011

Institution: Shinhan Bank America
330 Fifth Avenue
New York, NY 10001

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Department of Financial Services concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

Section		
General Information		1
Overview of Institution's Performance.....		2
Performance Context.....		3
Institution Profile		
Assessment Area		
Demographic & Economic Data		
Community Information		
Performance Standards and Assessment Factors		4
Lending Test		
Loan-to-Deposit Ratio and Other Lending-Related Activities		
Assessment Area Concentration		
Distribution by Borrower Characteristics		
Geographic Distribution of Loans		
Action Taken in Response to Written Complaints With Respect to CRA		
Community Development Test		
Community Development Loans		
Community Development Investments		
Community Development Services		
Additional Factors		
Glossary		5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Shinhan Bank America (“SHBA”) prepared by the New York State Department of Financial Services (“Department”). The evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2011.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) Outstanding record of meeting community credit needs;
- (2) Satisfactory record of meeting community credit needs;
- (3) Needs to improve record of meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary (“Evaluation”) be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

SHBA's performance was evaluated according to the intermediate small bank performance criteria. The assessment period included calendar years 2008, 2009, 2010 and 2011. SHBA is rated "2" indicating a "**Satisfactory**" record of helping to meet community credit needs. This rating is based on the following factors:

Lending Test: "Satisfactory"

- Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities: "Outstanding"

SHBA's average LTD ratio for the evaluation period was 90.3%, which was excellent considering its size, business strategy, financial condition, aggregate and peer group activity.

- Assessment Area Concentration: "Outstanding"

SHBA originated 98.7% % by number, and 99.4% by dollar value of its loans within the assessment area. This substantial majority of lending inside of its assessment area is an "Outstanding" record of lending within SHBA's assessment area.

- Distribution by Borrower Characteristics: "Satisfactory"

The distribution of loans based on lending to businesses of different revenue sizes was excellent however, HMDA lending among individuals of different income levels had a poor distribution.

- Geographic Distribution of Loans: "Satisfactory"

The distribution of small business loans based on lending in census tracts of varying income levels was strong, while HMDA reportable lending in LMI census tracts was reasonable in terms of number of loans but poor in terms of dollar volume.

Community Development Test: "Satisfactory"

SHBA Bank's community development performance demonstrated a reasonable level of responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering SHBA's capacity, the credit need and availability of such opportunities for community development in its assessment area.

- Community Development Loans : "Satisfactory"

During the evaluation period, SHBA Bank extended \$9.5 million in new community development loans. This demonstrated a reasonable level of community development lending over the course of the evaluation period.

- Community Development Investments: “Satisfactory”

During the evaluation period, SHBA invested \$2.8 million in CRA qualified mortgage backed securities (MBS) in its New York assessment area, and had \$876 thousand outstanding from the prior evaluation period. The securities were secured by loans made to LMI borrowers or properties located in LMI census tracts in New York.

- Community Development Services: “Satisfactory”

SHBA demonstrated a reasonable level of community development services during the evaluation period.

SHBA’s management and staff provided leadership and financial expertise to various community groups and business organizations to help promote the well being of small businesses; and provide financial education and training to business owners and members of the community.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York State Banking Law and Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution Profile:

Chartered in New York State in 1990, Shinhan Bank America (“SHBA”), formerly “Chohung Bank of New York” is a commercial bank headquartered at 330 Fifth Avenue, New York, NY. The bank is a wholly owned subsidiary of Shinhan Bank, a Korean banking corporation located in Seoul, South Korea, which in turn is wholly owned by Shinhan Financial Group.

SHBA’s main business activity is lending to small and mid-sized businesses, primarily those with Korean-American ownership. SHBA focuses on providing financial services to the ethnic Korean community and other Asian Americans in the New York metropolitan area. SHBA operates in three regions nationwide: New York, California, and Georgia. It has offices in the states of New York, New Jersey, California, Georgia and Texas.

As per the Consolidated Report of Condition (“Call Report”) as of December 31, 2011, filed with the Federal Deposit Insurance Corporation (“FDIC”), SHBA reported total assets of \$957.9 million, of which \$735.7 million were net loans and lease finance receivables. It also reported total deposits of \$853.3 million, resulting in a loan-to-deposit ratio of 86.2%. According to the latest available comparative deposit data as of June 30, 2011, SHBA obtained a market share of 0.03%, or \$233.6 million in a market of \$874.3 billion inside its market, ranking it 91st among 148 deposit-taking institutions in its assessment area.

The following is a summary of SHBA’s loan portfolio, based on Schedule RC-C of Call Reports ending December 31, 2008, 2009, 2010 and 2011.

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	2008		2009		2010		2011	
	\$000's	%		%	\$000's	%	\$000's	%
1-4 Family Residential Mort.Loans	37,388	4.6	52,600	6.8	58,833	7.5	104,560	13.6
Commercial Mortgage Loans	527,516	65.3	486,143	62.5	492,450	62.6	467,646	60.8
Commercial & Industrial Loans	160,840	19.9	143,827	18.5	147,406	18.7	161,906	21.1
Multifamily Mortgages	13,148	1.6	9,640	1.2	11,191	1.4	8,903	1.2
Construction - 1-4 family residential	12,829	1.6	6,546	0.8	2,368	0.3	1,140	0.1
Construction - non-residential	48,609	6.0	28,586	3.7	21,118	2.7	7,608	1.0
Loans to depository institutions	0	0.0	40,000	5.1	40,000	5.1	10,000	1.3
Agricultural Loans	83	0.0	76	0.0	69	0.0	832	0.1
Consumer Loans	6,322	0.8	8,939	1.1	7,158	0.9	6,300	0.8
Other Loans	1,570	0.2	1,135	0.1	5,590	0.7	119	0.0
Total Gross Loans	808,305	100.0	777,492	100.0	786,183	100.0	769,014	100.0

As illustrated in the above chart, SHBA primarily engages in commercial lending, with 82% of its loan portfolio in commercial mortgages, commercial and industrial

loans and construction loans secured by non-residential real estate as of 12/31/2011. SHBA's residential lending increased from 4.6% of the loan portfolio in 2008 to 13.6% of the loan portfolio in 2011.

SHBA operates five banking offices: four in Queens and one in Manhattan. Each branch has an ATM with the exception for the branch in Flushing, which is located in a moderate income census tract and has two ATMs. All branches are open from 8:30 AM or 9:00 AM to 5:00 PM from Monday to Friday. All branches in Queens are open on Saturdays, with one also open on Sundays.

There are no known financial or legal impediments that adversely impacted SHBA's ability to meet the credit needs of its community.

Assessment Area:

SHBA's New York assessment area is comprised of 11 counties, namely Bronx, Kings, New York, Queens, Richmond, Rockland, Nassau, Suffolk, Westchester, Putnam and Orange County.

There are 3,179 census tracts in the area, of which 341 are low income, 734 are moderate-income, 1,121 are middle income, 905 are upper income and 78 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	14	132	98	65	46	355	64.8
Kings	15	119	297	235	117	783	53.1
Nassau	8	2	20	178	69	277	7.9
New York	9	60	59	24	144	296	40.2
Orange	0	5	14	35	13	67	28.4
Putnam	0	0	0	0	19	19	0.0
Queens	18	12	148	310	185	673	23.8
Richmond	2	3	11	29	65	110	12.7
Rockland	0	2	2	9	45	58	6.9
Suffolk	8	2	64	197	49	320	20.6
Westchester	4	4	21	39	153	221	11.3
Total	78	341	734	1,121	905	3,179	33.8

The assessment area appears reasonable based upon the location of SHBA's offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

Demographic & Economic Data

The assessment area had a population of 12.4 million as indicated in the 2000 U.S. Census. About 12.20% of the population was over the age of 65 and 22.1% was under the age of 16.

Of the 3 million families in the assessment area, 25.4% were low-income, 16.5% were moderate-income, 18.6% were middle-income and 39.6% were upper-income families. There were 4.5 million households in the assessment area, of which 15.3% had income below the poverty level and 5.7% were on public assistance.

The MSA median family income within the assessment area was \$54,743. The U.S. Department of Housing and Urban Development (“HUD”) estimated median family income for the MSA to be \$75,062 in 2011.

There were 4.8 million housing units within the assessment area, of which 54.5% were one- to four-family units, and 45.5% were multi-family units. Renter-occupied housing units represented majority of the area’s housing units at 52.2% while 42.2% were owner-occupied units.

Of the 2.5 million renter-occupied housing units, 49.2% were in LMI census tracts while 50.8% were in middle- and upper-income census tracts. Average monthly gross rent was \$771.

Only 14.66% of owner-occupied housing units were in LMI census tracts while 85.3% were in middle- and upper-income census tracts. The median age of the housing stock was 58 years and the median home value in the assessment area was \$241, 216.

There were 1.27 million non-farm businesses in the assessment area. Of these, 67.2% were businesses with reported revenues of less than or equal to \$1 million, 3.6% reported revenues of more than \$1 million and 29.1% did not report their revenues. Of all the businesses in the assessment area, 73.1% were businesses with less than fifty employees while 95.0% operated from a single location. The largest industries in the area were services industry (40.8 %), followed by retail trade (12.4 %) and finance, insurance and real estate (7.7 %). 21.5% of businesses in the assessment area were not classified.

The statewide unemployment rate increased dramatically from 5.4% in 2008 to 8.6% in 2010, and declined to 8.2% in 2011. In SHBA’s assessment area, the Bronx, followed by Kings County, suffered the highest unemployment rates, averaging 11.1% and 8.9%, during the evaluation period. Putnam, Rockland and Nassau Counties had the lowest unemployment rates, averaging 6.2%, 6.3% and 6.4%, respectively. Unemployment rates in Queens, Richmond, New York and Orange Counties were close to the statewide average during the evaluation period.

Assessment Area Unemployment Rate												
	State wide	Bronx	Kings	Nassau	NY	Orange	Putnam	Queens	Rich mond	Rock land	Suffolk	West chester
2008	5.4%	7.4%	5.9%	4.7%	4.8%	5.4%	4.4%	4.9%	5.0%	4.8%	5.0%	4.8%
2009	8.3%	11.9%	9.8%	7.0%	8.4%	7.9%	6.8%	8.3%	8.1%	7.0%	7.4%	7.2%
2010	8.6%	12.7%	10.3%	7.1%	8.1%	8.3%	6.9%	8.7%	8.8%	7.0%	7.6%	7.3%
2011	8.2%	12.3%	9.7%	6.7%	7.4%	7.8%	6.6%	8.1%	8.2%	6.5%	7.4%	6.8%
avg	7.6%	11.1%	8.9%	6.4%	7.2%	7.4%	6.2%	7.5%	7.5%	6.3%	6.9%	6.5%

Community Information

Community groups contacted for SHBA’s examination included community development organizations and non-profits involved in providing affordable housing and other social services in New York City.

Community contacts in New York City indicated that affordable housing remains to be a pivotal need, citing the higher cost of owning or renting in the city. The New York City Region is a large community of diverse cultural groups, some of which may have limited English proficiency. One community contact stated that banks should have more branch locations, financial services and written advertising materials in languages other than English, in areas with concentrations of Limited-English-Proficient (“LEP”) residents. In addition, a community contact stated that credit facilities are needed to help small business owners who have handled their business on cash basis in the past and need help establishing a credit history for their business, as well as for themselves.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

SHBA was evaluated under the intermediate small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Banking Board. SHBA's performance was evaluated according to the intermediate small bank performance criteria, which consists of the lending test and the community development test. The lending test includes:

- 1. Loan-to-deposit ratio and other lending-related activities;*
- 2. Assessment area concentration;*
- 3. Distribution by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA*

The community development test includes:

- Community development lending;*
- Community development investments;*
- Community development services;*
- Innovative or complex practices; and*
- Responsiveness to community development needs*

The following factors were also considered in assessing the bank's record of performance:

- 1. Extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Any practices intended to discourage credit applications,*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. Record of opening and closing offices and providing services at offices; and*
- 5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs*

Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the Federal Deposit Insurance Corporation ("FDIC"). Aggregate lending data was obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data was obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report was derived from the 2000 U.S. Census and the HUD. Business demographic data used in this report is based on Dun &

Bradstreet reports, which are updated annually. Unemployment data was obtained from the New York State Department of Labor. Some non-specific bank data is only available on a county-wide basis, and is used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2008, 2009, 2010 and 2011.

Examiners considered SHBA's small business and HMDA-reportable loans in evaluating factors (2), (3) and (4) of the lending test as noted above. HMDA-reportable and small business loan data, evaluated in this performance evaluation, represented actual originations.

Small business loan aggregate data are shown for comparative purposes. As SHBA is not required to report its small business data, it is not included in the aggregate data.

As SHBA's primary focus is in small business lending, and that more loans (by number) was made to small businesses at 61% compared to HMDA loans (39%). More weight was given to small business lending in arriving at overall ratings.

SHBA received a rating of "2", reflecting a "Satisfactory" record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York State Banking Department as of December 31, 2007.

Current CRA Rating: "Satisfactory"

Lending Test: "Satisfactory"

SHBA's lending activities were reasonable in light of aggregate and peer group activity and demographics, as well as economic conditions during the evaluation period which impacted opportunities for commercial real estate lending.

SHBA achieved excellent LTD ratios and a high concentration of lending within its assessment area over the evaluation period. Lending distribution to businesses of different revenue sizes and individuals of different income levels was reasonable. Small business lending distribution based on census tracts of varying income levels demonstrated a reasonable rate of lending, while HMDA lending in LMI census tracts displayed an adequate ratio by number of loans but a poor ratio by dollar value.

Loan-to-Deposit Ratio and other Lending-Related Activities: "Outstanding"

SHBA's average LTD ratio for the evaluation period was 90.3%, which was excellent considering its size, business strategy, financial condition, aggregate and peer group activity. The average LTD ratio for its peer group was at 83% for the same period.

The chart below shows SHBA's LTD ratios in comparison with the peer group's ratios for the sixteen quarters since the prior evaluation.

Loan-to-Deposit Ratios																	
	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	Avg.
Bank	92.3	86.9	98.6	98.9	96.7	91.1	88.9	84.7	91.2	94.4	87.4	88.9	87.9	87.9	83.6	86.2	90.3
Peer	89.5	91.0	91.1	89.3	86.8	86.0	86.6	83.6	80.9	80.4	79.7	78.9	76.5	76.6	75.9	75.1	83.0

Assessment Area Concentration: “Outstanding”

SHBA originated \$59 million of HMDA-reportable and small business loans during this evaluation period. SHBA originated 98.7% by number, and 99.4% by dollar value of its loans within the assessment area. This substantial majority of lending inside of its assessment area is an “Outstanding” record of lending within SHBA’s assessment area.

HMDA-Reportable Loans:

During the evaluation period, SHBA originated 98.4% by number, and 99.1% by dollar value of its HMDA loans within the assessment area. This percentage represented a substantial majority of lending inside of SHBA’s assessment area and is an “Outstanding” record of lending.

SHBA is primarily a commercial lender of small to mid-sized loans to small business owners. In more recent years, SHBA made residential real estate loans mainly for operational purposes, i.e. utilize deposits for loans to generate income.

Small Business Loans:

During the evaluation period, SHBA originated 98.9% by number, and 99.8% by dollar value of its small business loans within the assessment area. This percentage represented a majority of lending inside of SHBA’s assessment area and is an “Outstanding” record of lending.

The following table shows the percentages of SHBA’s small business and HMDA-reportable loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2008	5	83.3%	1	16.7%	6	2,416	88.0%	329	12.0%	2,745
2009	14	100.0%	-	0.0%	14	9,046	100.0%	-	0.0%	9,046
2010	13	100.0%	-	0.0%	13	7,335	100.0%	-	0.0%	7,335
2011	28	100.0%	-	0.0%	28	16,449	100.0%	-	0.0%	16,449
Subtotal	60	98.4%	1	1.6%	61	35,246	99.1%	329	0.9%	35,575
Small Business										
2008	26	96.3%	1	3.7%	27	5,280	99.1%	50	0.9%	5,330
2009	5	100.0%	-	0.0%	5	1,120	100.0%	-	0.0%	1,120
2010	28	100.0%	-	0.0%	28	6,458	100.0%	-	0.0%	6,458
2011	34	100.0%	-	0.0%	34	10,413	100.0%	-	0.0%	10,413
Subtotal	93	98.9%	1	1.1%	94	23,271	99.8%	50	0.2%	23,321
Grand Total	153	98.7%	2	1.3%	155	58,517	99.4%	379	0.6%	58,896

Distribution by Borrower Characteristics: “Satisfactory”

The distribution of loans based on lending to businesses of different revenue sizes was excellent however, HMDA lending among individuals of different income levels had a poor distribution.

HMDA-Reportable Loans:

SHBA’s HMDA-reportable lending based on borrower income demonstrated a poor penetration rate of lending among borrowers of different incomes.

SHBA originated only one loan over the four years during the evaluation period to a low income borrower, and three loans to moderate-income borrowers. HMDA loans made to LMI borrowers were 6.7% by loan number and 4.3% by dollar value, underperformed its aggregate levels of 14.7% and 7.6%, respectively.

The following chart provides a summary of the HMDA-reportable lending distribution based on borrower income.

Distribution of HMDA-Reportable 1 to 4 family Lending by Borrower Income									
2008									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	3,129	2.4%	381,197	0.8%	25.4%
Moderate	0	0.0%	0	0.0%	14,052	11.0%	2,531,311	5.5%	16.5%
LMI	0	0.0%	0	0.0%	17,181	13.4%	2,912,508	6.4%	41.8%
Middle	1	20.0%	150	6.2%	28,998	22.7%	6,979,227	15.2%	18.6%
Upper	4	80.0%	2,266	93.8%	77,696	60.8%	33,774,391	73.8%	39.6%
Unknown	0	0.0%	0	0.0%	3,946	3.1%	2,126,870	4.6%	
Total	5		2,416		127,821		45,792,996		
2009									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	4,182	2.9%	718,736	1.5%	25.4%
Moderate	1	7.1%	499	5.5%	18,082	12.6%	3,616,861	7.6%	16.5%
LMI	1	7.1%	499	5.5%	22,264	15.5%	4,335,597	9.1%	41.8%
Middle	0	0.0%	0	0.0%	34,001	23.6%	8,625,606	18.0%	18.6%
Upper	13	92.9%	8,547	94.5%	79,436	55.2%	32,058,111	66.9%	39.6%
Unknown	0	0.0%	0	0.0%	8,150	5.7%	2,874,671	6.0%	
Total	14		9,046		143,851		47,893,985		
2010									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	3,576	2.7%	512,342	1.1%	25.4%
Moderate	1	7.7%	250	3.4%	15,839	11.9%	3,057,437	6.4%	16.5%
LMI	1	7.7%	250	3.4%	19,415	14.6%	3,569,779	7.5%	41.8%
Middle	1	7.7%	250	3.4%	30,075	22.7%	7,457,944	15.7%	18.6%
Upper	11	84.6%	6,835	93.2%	79,422	59.8%	34,654,490	73.0%	39.6%
Unknown	0	0.0%	0	0.0%	3,817	2.9%	1,821,544	3.8%	
Total	13		7,335		132,729		47,503,757		
2011									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	3.6%	358	2.2%	4,035	3.3%	562,741	1.2%	25.4%
Moderate	1	3.6%	400	2.4%	14,791	11.9%	2,797,745	6.1%	16.5%
LMI	2	7.1%	758	4.6%	18,826	15.2%	3,360,486	7.3%	41.8%
Middle	2	7.1%	265	1.6%	27,335	22.0%	6,653,686	14.4%	18.6%
Upper	22	78.6%	14,666	89.2%	73,022	58.9%	33,618,201	73.0%	39.6%
Unknown	2	7.1%	760	4.6%	4,847	3.9%	2,449,428	5.3%	
Total	28		16,449		124,030		46,081,801		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	1.7%	358	1.0%		2.8%		1.2%	
Moderate	3	5.0%	1,149	3.3%		11.9%		6.4%	
LMI	4	6.7%	1,507	4.3%	77,681	14.7%	14,178,376	7.6%	
Middle	4	6.7%	665	1.9%		22.8%		15.9%	
Upper	50	83.3%	32,314	91.7%		58.6%		71.6%	
Unknown	2	3.3%	760	2.2%		3.9%		5.0%	
Total	60		35,246						

Small Business Loans:

The distribution of small business loans based on the revenue size of the business demonstrated a strong penetration rate of lending among businesses of different revenue sizes.

Collectively during the four years of the current evaluation period, SHBA originated 63.4% by number and 57% by dollar value to businesses with gross annual revenue equal to or less than \$1 million. In every year during the evaluation period, the penetration rate of lending to small businesses significantly outperformed the aggregate levels, in both number of loans and dollar value.

The following chart provides a summary of SHBA's small business lending distribution based on revenue size during the evaluation period:

Distribution of Small Business Lending by Revenue Size of Business									
2008									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	22	84.6%	4,410	83.5%	119,464	21.1%	3,442,143	28.6%	67.9%
Rev. > \$1MM	4	15.4%	870	16.5%					5.6%
Rev. Unknown	-	0.0%	0	0.0%					26.5%
Total	26		5,280		566,923		12,037,169		
2009									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	2	40.0%	350	31.3%	42,955	17.1%	1,580,711	23.5%	76.7%
Rev. > \$1MM	2	40.0%	720	64.3%					5.4%
Rev. Unknown	1	20.0%	50	4.5%					17.9%
Total	5		1,120		251,657		6,732,840		
2010									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	19	67.9%	3,612	55.9%	40,212	17.8%	1,410,210	22.8%	77.1%
Rev. > \$1MM	5	17.9%	1,150	17.8%					5.2%
Rev. Unknown	4	14.3%	1,696	26.3%					17.7%
Total	28		6,458		226,121		6,193,898		
2011									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	16	47.1%	4,904	47.1%	97,642	34.0%	1,982,842	26.7%	67.2%
Rev. > \$1MM	16	47.1%	4,354	41.8%					3.6%
Rev. Unknown	2	5.9%	1,155	11.1%					29.1%
Total	34		10,413		287,319		7,417,799		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	59	63.4%	13,276	57.0%		22.5%		26.0%	
Rev. > \$1MM	27	29.0%	7,094	30.5%					
Rev. Unknown	7	7.5%	2,901	12.5%					
Total	93		23,271						

Geographic Distribution of Loans: Satisfactory

SHBA's distribution of small business loans based on lending in census tracts of varying income levels was strong, while HMDA reportable lending in LMI census tracts was reasonable in terms of number of loans but poor in terms of dollar volume.

HMDA-Reportable Loans:

The distribution of HMDA-reportable loans based on the income level of the geography

indicated a reasonable penetration rate of lending by number of loans but a poor rate of lending by dollar volume.

During the evaluation, SHBA made one HMDA reportable loan in a low income census tract and seven loans in a moderate income census tract. Lending to LMI census tracts were 13.3% by number, and 6.1% by dollar value, respectively. Market aggregate levels were at 14.5% by number and 14.6% by dollar value.

The following chart provides a summary of SHBA's HMDA-reportable lending distribution based on the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2008									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	3,943	3.0%	2,080,207	4.1%	1.7%
Moderate	1	20.0%	170	7.0%	20,367	15.6%	7,399,137	14.4%	12.9%
LMI	1	20.0%	170	7.0%	24,310	18.6%	9,479,344	18.5%	14.7%
Middle	1	20.0%	417	17.3%	53,749	41.2%	17,073,581	33.3%	43.3%
Upper	3	60.0%	1,829	75.7%	52,264	40.1%	24,661,348	48.0%	42.0%
Unknown	0	0.0%	0	0.0%	89	0.1%	117,767	0.2%	0.0%
Total	5		2,416		130,412		51,332,040		
2009									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	7.1%	400	4.4%	2,589	1.8%	1,075,284	2.1%	1.7%
Moderate	0	0.0%	0	0.0%	16,276	11.2%	5,400,573	10.7%	12.9%
LMI	1	7.1%	400	4.4%	18,865	13.0%	6,475,857	12.8%	14.7%
Middle	0	0.0%	0	0.0%	59,993	41.2%	17,525,349	34.6%	43.3%
Upper	13	92.9%	8,646	95.6%	66,667	45.8%	26,647,082	52.6%	42.0%
Unknown	0	0.0%	0	0.0%	103	0.1%	47,480	0.1%	0.0%
Total	14		9,046		145,628		50,695,768		
2010									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	2,576	1.9%	1,213,031	2.4%	1.7%
Moderate	1	7.7%	200	2.7%	14,851	11.1%	5,074,473	9.8%	12.9%
LMI	1	7.7%	200	2.7%	17,427	13.0%	6,287,504	12.2%	14.7%
Middle	0	0.0%	0	0.0%	53,774	40.0%	16,513,501	32.0%	43.3%
Upper	12	92.3%	7,135	97.3%	63,045	46.9%	28,657,352	55.6%	42.0%
Unknown	0	0.0%	0	0.0%	143	0.1%	128,030	0.2%	0.0%
Total	13		7,335		134,389		51,586,387		
2011									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	2,722	2.2%	1,792,270	3.4%	1.7%
Moderate	5	17.9%	1,375	8.4%	14,402	11.4%	6,205,746	11.7%	12.9%
LMI	5	17.9%	1,375	8.4%	17,124	13.6%	7,998,016	15.1%	14.7%
Middle	5	17.9%	2,758	16.8%	49,233	39.0%	15,463,924	29.3%	43.3%
Upper	18	64.3%	12,316	74.9%	59,789	47.3%	29,204,179	55.3%	42.0%
Unknown	0	0.0%	0	0.0%	161	0.1%	165,443	0.3%	0.0%
Total	28		16,449		126,307		52,831,562		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	1.7%	400	1.1%		2.2%		3.0%	
Moderate	7	11.7%	1,745	5.0%		12.3%		11.7%	
LMI	8	13.3%	2,145	6.1%		14.5%		14.6%	
Middle	6	10.0%	3,175	9.0%		40.4%		32.2%	
Upper	46	76.7%	29,926	84.9%		45.0%		52.9%	
Unknown	-	0.0%	-	0.0%		0.1%		0.2%	
Total	60		35,246						

Small Business Loans:

The distribution of small business loans based on the income level of the geography of the business demonstrated a reasonable rate of lending.

Collectively, SHBA outperformed aggregate levels significantly by number and by dollar value in both low-income and moderate-income census tracts. Small business loans made in LMI census tracts were 29.8% by number and 32.8% by dollar value, compared to 18.9% by number and 18.7% by dollar value by peer banks.

The following chart provides a summary of SHBA's small business lending distribution based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2008									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	7.7%	200	3.8%	23,723	4.2%	478,174	4.0%	6.0%
Moderate	2	7.7%	450	8.5%	85,133	15.0%	1,773,220	14.7%	17.6%
LMI	4	15.4%	650	12.3%	108,856	19.2%	2,251,394	18.7%	23.6%
Middle	13	50.0%	3,160	59.8%	191,952	33.9%	3,952,709	32.8%	32.8%
Upper	9	34.6%	1,470	27.8%	262,826	46.4%	5,696,313	47.3%	42.8%
Unknown	0	0.0%	0	0.0%	3,289	0.6%	136,753	1.1%	0.8%
Total	26		5,280		566,923		12,037,169		
2009									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	20.0%	200	17.9%	10,716	4.3%	261,819	3.9%	6.0%
Moderate	1	20.0%	50	4.5%	36,853	14.6%	1,043,532	15.5%	17.6%
LMI	2	40.0%	250	22.3%	47,569	18.9%	1,305,351	19.4%	23.5%
Middle	1	20.0%	70	6.3%	82,117	32.6%	2,184,986	32.5%	32.8%
Upper	2	40.0%	800	71.4%	120,315	47.8%	3,165,004	47.0%	42.9%
Unknown	0	0.0%	0	0.0%	1,656	0.7%	77,499	1.2%	0.8%
Total	5		1,120		251,657		6,732,840		
2010									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	10.7%	623	9.6%	8,703	3.8%	254,164	4.1%	5.8%
Moderate	7	25.0%	1,186	18.4%	31,356	13.9%	884,274	14.3%	17.2%
LMI	10	35.7%	1,809	28.0%	40,059	17.7%	1,138,438	18.4%	23.0%
Middle	11	39.3%	3,180	49.2%	72,334	32.0%	2,015,068	32.5%	33.1%
Upper	7	25.0%	1,469	22.7%	111,895	49.5%	2,943,419	47.5%	43.2%
Unknown	0	0.0%	0	0.0%	1,833	0.8%	96,973	1.6%	0.8%
Total	28		6,458		226,121		6,193,898		
2011									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	4	11.8%	1,713	16.5%	12,512	4.4%	283,013	3.8%	5.9%
Moderate	7	20.6%	2,804	26.9%	42,677	14.9%	1,061,478	14.3%	17.7%
LMI	11	32.4%	4,517	43.4%	55,189	19.2%	1,344,491	18.1%	23.6%
Middle	11	32.4%	2,590	24.9%	92,892	32.3%	2,341,477	31.6%	33.4%
Upper	12	35.3%	3,306	31.7%	137,043	47.7%	3,633,743	49.0%	42.2%
Unknown	0	0.0%	0	0.0%	2,195	0.8%	98,088	1.3%	0.8%
Total	34		10,413		287,319		7,417,799		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	10	10.8%	2,736	11.8%		4.2%		3.9%	
Moderate	17	18.3%	4,490	19.3%		14.7%		14.7%	
LMI	27	29.0%	7,226	31.1%	251,673	18.9%	6,039,674	18.7%	
Middle	36	38.7%	9,000	38.7%		33.0%		32.4%	
Upper	30	32.3%	7,045	30.3%		47.5%		47.7%	
Unknown	-	0.0%	-	0.0%		0.7%		1.3%	
Total	93		23,271						

Action Taken In Response to Written Complaints With Respect to CRA: “Satisfactory”

Since the latest CRA evaluation as of December 31, 2007, neither SHBA nor DFS has received any written complaints regarding SHBA’s CRA performance.

Community Development Test: “Satisfactory”

SHBA’s community development performance demonstrated a reasonable level of responsiveness to the community development needs of its assessment area, through community development loans, investments and services, considering SHBA’s capacity and the need and availability of such opportunities for community development in its assessment area.

The following is a more detailed description of SHBA’s community development activity:

Community Development Lending: “Satisfactory”

During the evaluation period, SHBA extended \$9.5 million in new community development loans. This demonstrated a reasonable level of community development lending over the course of the evaluation period.

The three community development loans/lines of credit extended during the evaluation period were to finance the acquisition and/or provide working capital for small retail supermarkets. The establishments, located in LMI tracts in East Harlem (New York County) and Suffolk County, created and retained permanent jobs, and provided access to affordable and healthy food choices to the community.

Community Development Loans				
Purpose	This Evaluation Period		Outstanding from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing				
Economic Development	3	9,500		
Community Services				
Other (Please Specify)				
Total	3	9,500	0	0

Community Development Investments: “Satisfactory”

During the evaluation period, SHBA invested \$2.8 million in CRA qualified mortgage backed securities (MBS), and had \$876 thousand outstanding from the prior evaluation period. The securities were backed by loans made to LMI borrowers or properties located in LMI census tracts in New York.

In addition, SHBA made a total of \$13,300 in community development grants. One such

grant totaling \$3,000 was given to the Korean American Association of Greater New York, which provides job opportunities and other services to the Korean community.

SHBA's activity demonstrated a reasonable level of community development investments and grants.

Community Development Investments and Grants				
	This Evaluation Period		Outstanding from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	10	\$ 2,776	2	876
Economic Development				
Community Services				
Other (Please Specify)				
Total	10	\$ 2,776	2	876
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing				
Economic Development				
Community Services	9	\$ 13		
Other (Please Specify)				
Total	9	\$ 13		

Community Development Services: "Satisfactory"

SHBA demonstrated a reasonable level of community development services during the evaluation period.

SHBA's management and staff provided leadership and financial expertise to various community groups and business organizations to help and promote the well beings of small businesses; and providing financial education and training to business owners and members of the community. The following are a few examples of the community development services performed SHBA management and staff:

- A director provided leadership and technical support to a non-profit public interest foundation, by serving as a member of the board of directors and chairman of the Audit Committee. The foundation, established in 2003 by individuals in the Korean-American community, address various contemporary concerns and issues facing low-income Koreans in New York City such as the welfare of its senior citizens, youth, recent immigrants and people with disabilities.
- SHBA sponsored seminars to promote awareness of the financial, investment and market conditions. Many customers of SHBA and small business owners participated in the seminars.

Innovative or Complex Practices:

SHBA had limited use of innovative or flexible community development practices.

Responsiveness to Community Development Needs:

SHBA demonstrated a reasonable level of responsiveness to credit and community development needs.

Additional Factors

The extent of participation by the banking institution's board of directors or board of trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act

The Board of Directors reviews and approves any changes to the CRA policy at least once a year. In 2009, the board created a CRA Management Committee, which includes the bank President, CRA Officer, Compliance Officer and Investment Officer vested with the responsibility of overseeing the SHBA's performance and compliance with CRA. The CRA Officer presents the board with reports from the CRA Committee and self- assessment reports.

Discrimination and other illegal practices

- *Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.*

New York State Department of Financial Services noted no practices that were intended to discourage applications for the types of credit offered by the institution.

- *Evidence of prohibited discriminatory or other illegal credit practices.*

New York State Department of Financial Services noted no evidence of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

Distribution of Branches within the Assessment Area							
County	N/A	Low	Moderate	Middle	Upper	Total	LMI
	#	#	#	#	#	#	%
Bronx							
Kings							
Queens			1	2	1	4	25%
Richmond							
New York					1	1	0%
Westchester							
Rockland							
Nassau							
Suffolk							
Orange							
Putnam							
Total			1	2	2	5	20%

During the evaluation period, SHBA opened a branch in upper income tract in Queens County, did not close any branches.. SHBA operates five banking offices; four located in Queens and one in Manhattan. Each branch office has an ATM, in addition, the branch in Flushing (Queens) situated in a moderate income census tract has 2 ATMs. All branches are open from 8:30 AM or 9:00 AM to 5:00 PM from Monday to Friday, with the Flushing branch remains open till 6PM. All branches in Queens are open on Saturdays; with the Bayside branch open on Sundays as well.

SHBA offers the following low cost deposit accounts benefiting low income individuals and small business owners:

- The “Free checking” offered to individuals and business banking customers, it has no monthly maintenance fee, a low minimum opening deposit (\$100) and just one cent in order to keep the account active. The account offers unlimited transactions;
- “Business checking” with unlimited withdrawal transactions designed to help businesses, low minimum opening deposit and maintenance fee waived by maintaining a daily balance of \$2,500 or a monthly average balance of \$5,000, or a low (\$0.25 fee per debit transaction) if daily balance and monthly average balance is not met.

Process Factors

- Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.

SHBA ascertained the credit needs of its community by working closely with community based organizations, local businesses, civic and business organizations that focus on serving the Korean-American community; by participating in traditional Korean cultural and social events. A few examples such organizations are The Korean Produce Association, Inc., New York Society of Korean Businessmen, Inc., and The Korean Community Services of Metropolitan New York, Inc.

- The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution

SHBA makes use of print media and television to make members of the community aware of the credit and other financial products offered by SHBA. SHBA primarily advertises in Korean-American community based media such as the Korea Central Daily News, Korea Times New York, and MKTV.

Other factors that in the judgment of the Superintendent and Banking Board bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community

DFS noted no other factors.

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

“Community development”:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

Community Development Loan

A loan that has its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

Community Development Service

Service that has community development as its *primary purpose*, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

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 Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of \$1 million or less.

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas where, according to the 2000 U.S. Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("PMSA"), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development ("HUD").

LMI Individuals/Persons

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that represents the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

Low-Income Housing Tax Credit (LIHTC)

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

New Markets Tax Credit (NMTC)

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

Qualified Investment

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;

- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.