



**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, 2012

**Institution:** Bank Leumi USA  
562 Fifth Avenue  
New York, New York 10036

**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.

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## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Bank Leumi USA (“BLUSA”) prepared by the New York State Department of Financial Services (the “Department” or “DFS”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2012.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services 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 Superintendent 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 Banking Law.

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

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## **OVERVIEW OF INSTITUTION'S PERFORMANCE**

### **Overall CRA Rating: "Outstanding"**

BLUSA was evaluated according to the community development test for wholesale or limited purpose banking institutions pursuant to Part 76.11 of the General Regulations of the Superintendent. The assessment period covered calendar years 2010, 2011, and 2012. BLUSA is rated "1," indicating an "Outstanding" record of helping to meet community credit needs. BLUSA was also rated "Outstanding" during the prior evaluation as of December 31, 2009.

This rating is based on the following factors:

### **Community Development Activities: "Outstanding"**

BLUSA's community development performance demonstrated an excellent responsiveness to the community development needs of its assessment area through a high volume of community development loans, as well as an adequate level of investments and services, considering BLUSA's capacity, the need and availability of such opportunities for community development in its assessment area.

### **Community Development Lending: "Outstanding"**

During the evaluation period, BLUSA has extended or renewed \$241.9 million in community development loans and lines of credit, representing an annualized ratio to total assets of 1.49%. This demonstrated an excellent level of community development lending over the course of the evaluation period.

### **Community Development Investments: "Satisfactory"**

During the evaluation period, BLUSA made \$600,000 in new qualified community development investments, and still had \$2.3 million investments outstanding from prior evaluation periods. In addition, BLUSA made \$132,000 in grants. This demonstrated an adequate level of community development investments over the course of the evaluation period.

### **Community Development Services: "Satisfactory"**

BLUSA demonstrated an adequate level of community development services over the course of the evaluation period.

### **Innovative Practices:**

BLUSA has an adequate level of innovative or flexible community development practices. For example, the Bank has continued to invest in private equity mutual funds that seek to invest in CRA qualified investments in BLUSA's assessment area.

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**Responsiveness to Credit and Community Development Needs:**

BLUSA demonstrated an adequate level of responsiveness to credit and community development needs, based on the volume of community development lending, investments, and services.

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

## PERFORMANCE CONTEXT

### Institution Profile:

BLUSA is a New York State-chartered and FDIC insured commercial bank, and a wholly owned subsidiary of Bank Leumi Le-Israel B.M. BLUSA has a full service branch at 579 Fifth Avenue, NY, NY 10017 and a corporate office at 564 Fifth Avenue, NY, NY 10036. Aside from the two NYC locations, BLUSA has six other full service branches in the US: four in California, one in Illinois and one in Florida.

BLUSA is a full service commercial bank that offers a broad range of services and products. The client base is comprised of importers and exporters, manufacturers, distributors, and retailers in diverse industries that include textiles and apparel, real estate, high technology, diamonds and jewelry, entertainment, food and commodities. BLUSA also offers U.S. and international private banking services, as well as a full range of securities and insurance products through its brokerage subsidiary, Leumi Investment Services Inc.

Per the Consolidated Report of Condition (the "Call Report") as of December 31, 2012, filed with the Federal Deposit Insurance Corporation ("FDIC"), BLUSA reported total assets of \$5.4 billion, of which \$3.7 billion were net loans and lease finance receivables. It also reported total deposits of 4.4 billion, resulting in a loan-to-deposit ratio of 84.5%. According to the latest available comparative deposit data as of June 30, 2012, BLUSA had a market share of 0.26% or \$2.0 billion in a market of \$784 billion deposits inside its market, ranking it 28<sup>th</sup> among 119 deposit-taking institutions in the assessment area.

The following is a summary of BLUSA's loan portfolio, based on Schedule RC-C of BLUSA's December 31, 2010, 2011 and 2012 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
<b>Loan Type</b>	2010		2011		2012	
	\$000's	%	\$000's	%	\$000's	%
<b>Real Estate Loans:</b>						
One to four family residential	53,315	1.6	55,635	1.5	48,534	1.3
Commercial mortgages	310,244	9.3	398,354	10.9	469,473	12.5
Construction loans (other than 1-4 family)	292,928	8.8	187,053	5.1	166,862	4.4
Multifamily Mortgages	85,242	2.5	212,116	5.8	227,022	6.0
Secured by farmland	6,401	0.2	3,927	0.1	4,327	0.1
Commercial & Industrial	2,265,800	67.7	2,431,147	66.8	2,487,405	66.2
Consumer Loans	808	0.0	886	0.0	823	0.0
Other Loans	54,747	1.6	59,496	1.6	66,221	1.8
Lease financing	276,173	8.3	292,821	8.0	286,261	7.6
<b>Total Gross Loans</b>	<b>3,345,658</b>	<b>100.0</b>	<b>3,641,435</b>	<b>100.0</b>	<b>3,756,928</b>	<b>100.0</b>

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As illustrated in the above chart, BLUSA is primarily a commercial lender with 78.7% of its loan portfolio in commercial and industrial loans and commercial mortgages as of December 31, 2012.

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

**Assessment Area:**

The BLUSA's assessment area situated in the five boroughs of New York City is comprised of 2,168 census tracts, of which 292 are low-income, 578 are moderate-income, 654 are middle-income, 580 are upper-income and 64 are tracts with no income indicated. Bronx County has the most number of LMI census tracts at 67.8%, while Richmond County has the least number of LMI census tracts at 9.9%.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	10	129	101	64	35	339	67.8
Kings	13	108	269	234	137	761	49.5
New York	12	37	65	23	151	288	35.4
Queens	26	16	134	303	190	669	22.4
Richmond	3	2	9	30	67	111	9.9
Total	64	292	578	654	580	2,168	40.1

*The assessment area appears reasonable based upon the location of BLUSA'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 8.2 million taken from 2010 US Census data. About 11.9% of the population were over the age of 65 and 19.1% were under the age of 16.

Of the 1.8 million families in the assessment area, 29.9% were low-income, 16.9% were moderate-income, 16.7% were middle-income and 36.6% were upper-income families. There were 3.0 million households in the assessment area, of which 18.1% had income below the poverty level and 4.1% were on public assistance.

The weighted average of median family income within the assessment area was \$65,513.

There were 3.3 million housing units within the assessment area, of which 60.0% were multi-family units and 40% were one- to four-family units. A majority (61.0%) of

the area's housing units were rental units while 30.1% were owner-occupied units. Of the 1.0 million owner-occupied housing units, 20.5% were in LMI census tracts while 79.5% were in middle- and upper-income census tracts. Average monthly gross rent was \$1,123 while the median home value in the assessment area was \$526,503. The median age of the housing stock was 67 years.

There were 715,285 non-farm businesses in the assessment area. Of these, 70.7% were businesses with reported revenues of less than or equal to \$1 million, 5.0% reported revenues of more than \$1 million and 24.3% did not report their revenues. Of all the businesses in the assessment area, 76.4% were businesses with less than fifty employees while 94.6% operated from a single location. The largest industries in the area were: the services industry (43.6%), retail trade (14.2%), and finance, insurance and real estate (8.3%); 17.1% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State for the last four years was 8.5%, an increase of 57.4% compared to its 2008 level. Bronx County showed the highest unemployment rate while New York County had the lowest.

<b>Assessment Area Unemployment Rate</b>						
	Statewide	Bronx	Kings	New York	Queens	Richmond
2012	8.5	12.7	9.9	7.7	8.3	8.5
2011	8.3	12.3	9.7	7.5	8.1	8.2
2010	8.6	12.7	10.3	8.1	8.7	8.8
2009	8.4	11.9	9.8	8.4	8.3	8.1
Average (last 4 years)	8.5	12.4	9.9	7.9	8.4	8.4
2008	5.4	7.4	5.9	4.8	4.9	5.0

### **Community Information**

Community information was derived from several non-profit organizations serving the five boroughs of New York City. These non-profits are certified CDFIs, and they provide alternative sources of financing for affordable housing projects and to small businesses, particularly those located in LMI communities. Two of the non-profits also provide homeownership services such as first-time home buying and foreclosure intervention programs.

According to the Federal Reserve Bank of New York's May 2013 small business credit survey access to capital remains the biggest challenge facing small businesses. Most business owners need small loan amounts (\$100,000 or less) to meet operating expenses but have experienced difficulty securing credit from traditional bank financing. In recent years, small businesses have increasingly relied on non-depository financial institutions for their credit needs.

Meanwhile, some community groups stated that there was a lack of affordable

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housing alternatives for LMI individuals since NYC is a high cost housing area. Affordable housing is still available in some parts such as the Bronx but bank financing has not been easy due to more strict requirements imposed by the banks. Foreclosures are still high for one to four family homeowners, triggered mainly by job loss preventing homeowners from paying off their mortgages.

The community contacts, in addressing some of the economic conditions that permeate in the assessment area, particularly those affecting LMI individuals and communities remarked that:

- Banks should have a formalized process of providing a list of recommended sources of alternative financing, such as registered CDFIs and micro-lenders, to small businesses whose loan applications are not approved;
- Banks should provide more financial support through low cost loans and grants to non-profit organizations and CDFIs who are directly involved in providing services to LMI individuals and communities; and
- Banks should have more physical presence in low income and under-banked communities; and they should coordinate with CDFIs and micro-lenders so that they are better able to effectively deploy funds and have an impact in the community.

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## **PERFORMANCE TEST AND ASSESSMENT FACTORS**

*DFS evaluates the CRA performance of wholesale banks pursuant to the “community development test,” as provided for in Section 76.11 of the General Regulations of the Superintendent. Performance criteria include (1) the number and amount of community development loans, qualified investments or community development services; (2) the use of innovative or complex qualified investments, community development loans or community development services and the extent to which investments are not routinely provided by private investors; and (3) the banking institution’s responsiveness to credit and community development needs. In addition, the following factors also were considered in assessing BLUSA’s record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications; evidence of prohibited discriminatory or other illegal credit practices; the institution’s record of opening and closing offices and providing services at offices; and 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 New York Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.*

The assessment period included calendar years 2010, 2011 and 2012.

At its **prior** Performance Evaluation as of December 31, 2009, DFS assigned BLUSA a rating of “1”, reflecting an “Outstanding” record of helping to meet community credit needs.

**Current CRA Rating:** “Outstanding”

**Community Development Activities:** “Outstanding”

BLUSA’s community development performance demonstrated an excellent responsiveness to the community development needs of its assessment area through a high volume of community development loans, as well as an adequate level of investments and services, considering BLUSA’s capacity, the need and availability of such opportunities for community development in its assessment area.

During the evaluation period, BLUSA extended or renewed a total of \$241.9 million in new community development loans and lines of credit. BLUSA also made \$600,000 in new community development investments and had \$2.3 million outstanding from prior evaluation periods. BLUSA made \$132,000 in community development grants.

A more detailed description of the bank’s community development activity follows:

**Community Development Lending:** “Outstanding”

During the evaluation period, BLUSA has extended or renewed a total of \$241.9 million

in community development loans and lines of credit, representing an annualized ratio to total assets of 1.49%. This demonstrated an excellent level of community development lending over the course of the evaluation period<sup>1</sup>.

Credit extended for economic development purposes represented 63% of total community development loans. It consisted of renewable lines of credit extended to small businesses (such as finance companies, retail stores, a wholesaler and a milk manufacturing plant) that created jobs for LMI persons and geographies. BLUSA also extended loans to a CDFI serving the credit needs of businesses located in LMI communities. The remaining 32% of community development loans were utilized to finance projects for neighborhood revitalization and community services.

<b>Community Development Loans</b>				
Purpose	This Evaluation Period		Outstanding from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing				
Economic Development	16	153,500		
Community Services	3	10,500		
Neighborhood Stabilization	8	77,854		
<b>Total</b>	<b>27</b>	<b>241,854</b>	<b>0</b>	<b>0</b>

Below are examples of BLUSA's community development lending.

- In 2010, BLUSA renewed a \$5 million line of credit to a company that provides tutoring services and test preparation to LMI students from kindergarten to 12<sup>th</sup> grade.
- In 2010, BLUSA extended a \$500,000 line of credit to a non-profit CDFI that primarily provides financing for small businesses located in LMI census tracts. The line of credit was again renewed in 2012.
- In each year of the evaluation period, BLUSA renewed a \$9.8 million line of credit to a construction company committed to providing affordable housing to communities in need. The housing projects made by the company were located in LMI census tracts in Bronx.
- In each year of the evaluation period, BLUSA renewed an \$11.5 million credit facility to a retail establishment that operates 26 stores located in low and moderate income neighborhoods of Brooklyn, Queens, Manhattan, Bronx and Mount Vernon, New York, thus providing economic revitalization in these LMI

<sup>1</sup> For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the time period of the exam.

communities. It also creates jobs for LMI individuals.

- In 2010, BLUSA extended a \$19 million credit facility to a small business company operating a milk processing plant in a low income census tract in Jamaica, New York. The plant has created permanent jobs for LMI individuals.

Community Development Investments: “Satisfactory”

During the evaluation period, BLUSA made \$600,000 in new qualified community development investments, and still had \$2.3 million investments outstanding from prior evaluation periods. In addition, BLUSA made \$132,000 in grants. This demonstrated an adequate level of community development investments over the course of the evaluation period.

	This Evaluation Period		Outstanding from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing			2	2,078
Economic Development	6	\$ 600	2	247
Community Services				
Neighborhood Revitalization				
<b>Total</b>	<b>6</b>	<b>\$ 600</b>	<b>4</b>	<b>2,325</b>
	# of Grants	\$000	Not Applicable	
CD Grants				
Affordable Housing	15	\$ 16		
Economic Development	9	\$ 15		
Community Services	64	\$ 98		
Neighborhood Revitalization	3	\$ 3		
<b>Total</b>	<b>91</b>	<b>\$ 132</b>		

Below are highlights of BLUSA’s community development investments.

- BLUSA invested \$2.1 million in a private equity mutual fund that seeks to invest in specific CRA qualified investments related to the investor’s assessment area. BLUSA’s investment has been allocated to two multi-family affordable rental housing projects, both located in moderate income census tracts in the lower east side area of New York and Bronx.
- BLUSA invested \$172,063 in the CRA qualified investment mutual fund allocated to a SBA loan extended to a small business entity located in a low income census tract in Brooklyn, New York.

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- Each year, BLUSA renewed a \$100,000 share deposit with two credit unions that are certified community development financial institutions (“CDFIs”). The credit unions’ field of membership also includes low-income individuals.
  - BLUSA contributed \$9,000 to a local organization located in South Bronx with a mission of strengthening businesses and creating and implementing innovative economic, housing, educational, and career development programs for youth and adults. The organization provides comprehensive aid to small businesses from pre-start up to advanced level workshops.
  - BLUSA contributed \$8,250 to a New York City based organization providing tuition-free, practical job training for underserved New York-area women of all ages and backgrounds.

Community Development Services: “Satisfactory”

BLUSA demonstrated an adequate level of community development services over the course of the evaluation period. Below are some of BLUSA’s community development services:

- BLUSA, in partnership with non-profit organizations that promote job training skills for out of school unemployed low-income youth and adult women, instituted an internship program to provide “on the job” experience to the individuals participating in the programs.
- BLUSA’s CRA Officer was a member of the advisory board of a legal services organization with a goal of providing high-quality legal assistance to LMI individuals and community groups in Brooklyn. Recent topics that were addressed by the organization included predatory lending practices and other housing and banking legal issues.

Innovative Practices:

BLUSA has made adequate use of innovative or flexible community development practices. For example, BLUSA has continued to invest in private equity mutual funds that seek to invest in CRA qualified investments in BLUSA’s assessment area.

Responsiveness to Credit and Community Development Needs:

BLUSA demonstrated a reasonable level of responsiveness to credit and community development needs, based on the volume of community development lending, investments and services.

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## **Additional Factors**

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

During the evaluation period, the CRA committee was an informal adhoc committee, which was subsequently formalized. The CRA committee is scheduled to meet every quarter, with the CRA officer directly reporting to the Board of Directors.

The board reviews CRA performance through the progress reports provided by the CRA officer and from regulatory examination 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.*

DFS noted no practices that were intended to discourage applications for the types of credit offered by BLUSA.

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

DFS noted no evidence of prohibited discriminatory or other illegal practices.

### **The banking institution's record of opening and closing offices and providing services at offices**

BLUSA is a designated wholesale bank for CRA purposes. As a full service commercial bank, it has a branch located at 5<sup>th</sup> Avenue, New York that offers full banking services and products to its customers. Another branch, also in Midtown New York, was closed in 2012.

## **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.*

Senior lending officers, through their ongoing business relationship with their customers, assist the CRA Officer in determining community credit needs. The loan officers are also members of a committee that reviews CRA performance.

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- *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*

As a wholesale bank, BLUSA does not have direct programs for marketing their products and services. Lending officers, through their ongoing business relationships, are always looking for opportunities where BLUSA can meet community credit needs.

**Other factors that in the judgment of the Superintendent 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.

<b>Income level of individual or geography</b>	<b>% of the area median income</b>
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.