



**NEW YORK STATE BANKING DEPARTMENT**  
**CONSUMER SERVICES DIVISION**  
One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2009

**Institution:** Habib American Bank  
99 Madison Avenue  
New York, NY 10022

**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 Banking Department 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 Habib American Bank ("HAB") prepared by the New York State Banking Department. The evaluation represents the Banking Department's current assessment and rating of the institution's CRA performance based on an evaluation conducted as of December 31, 2009.

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 Banking 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 Banking 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 be made available to the public ("Evaluation"). Evaluations of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12. 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.

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

HAB's performance was evaluated according to the intermediate small bank performance criteria. HAB was rated "2," indicating a "Satisfactory" record of helping to meet its community credit needs. This rating is unchanged from the prior New York State Banking Department Performance Evaluation dated December 31, 2005. This rating is based on the following factors:

### **CRA Rating: "Satisfactory"**

#### **Lending Test: "Satisfactory"**

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

The bank's LTD ratio was reasonable considering its size, business strategy, financial condition and peer activity. HAB's average LTD was 79.5%, which was lower than its peer group's average of 87.5%, but still reasonable. The lower average was due, in part, to HAB's growth in correspondent banking and was mitigated by the large amount of letters of credit, which were not reported as loans on the balance sheet.

- ***Assessment Area Concentration: "Satisfactory"***

The bank originated the majority of its loans and letters of credit within its assessment area. Based on the total number of small business loans and letters of credit made during the evaluation period, 76.3% were originated within the bank's assessment area.
- ***Distribution by Borrowers Characteristics: "Satisfactory"***

The bank's small business lending distribution based on borrower characteristics reflected a reasonable penetration among businesses of different sizes and was comparable to the aggregate's lending penetration ratio. In 2006 and 2007, HAB's lending/line of credit penetration ratio to businesses with revenues of less than or equal to \$1MM was below the aggregate's and the business demographics. However, HAB's penetration ratio increased in 2008 as the aggregate's decreased, leading to HAB surpassing the aggregate.
- ***Geographic Distribution of Loans: "Satisfactory"***

Based on performance context, the geographic distribution of small business loans and letters of credit reflected a reasonable dispersion among census tracts of different income levels. HAB primarily lent to importers and exporters; many of these businesses are not located in LMI census tracts. The bank's record was also a reflection of its business model, where the majority of credits were multiple letters of credit to few business clients. As these repeat clients were not located in LMI census

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tracts, HAB's penetration ratio for geographic distribution of lending was extremely low. However, performance context made this record reasonable.

- ***Action Taken in Response to Written Complaints With Respect to CRA: "Satisfactory"***

Since the latest CRA evaluation on December 31, 2005, neither the bank nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

### **Community Development Test: "Satisfactory"**

HAB demonstrated a reasonable responsiveness to the community development needs of its assessment area. During the evaluation period, the bank's community development loans and investments totaled \$7.2 million.

- ***Community Development Loans: "Satisfactory"***

During the evaluation period, HAB made a total of \$4.3 million in community development loans.

- ***Community Development Investments: "Satisfactory"***

The bank committed a reasonable volume of dollars (a total of \$3 million), in community development investments during the evaluation period.

- ***Community Development Services: "Satisfactory"***

HAB provided community development services benefiting its assessment area by helping various not-for-profit organizations. HAB provided technical assistance to community-based organizations, conducting seminars and presentations addressing small business development, financial literacy and other topics.

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.

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## PERFORMANCE CONTEXT

### **Institution Profile:**

HAB is a multi-state commercial bank chartered in 1983 by the New York State Banking Department. The bank is headquartered in New York City and has branches in Jackson Heights, NY; Hicksville, Long Island; Los Angeles and Artesia, California and Edison, New Jersey. HAB also has an International Banking Facility (“IBF”) that provides correspondent banking services to international banks. A majority of the bank’s stock is held by a family trust.

HAB is primarily a small business lender to importers and exporters that have active business dealing with traders to India, Pakistan, Bangladesh and Sri Lanka. The majority of business customers is comprised of wholesalers of imported garments, textiles and novelty items. Most of the bank’s customer businesses are family-owned and, on average, employ two to 15 people. Although in some cases the gross sales reported by a business may exceed \$1 million, the operating margins are small and the operating revenues from the overall operations are below \$1 million. The bank actively extends asset-based lines of credit to small businesses. Although the bank originates residential mortgages and other consumer loans, its main focus continues to be commercial/business loans to its niche community and customers within its assessment area.

HAB operates in a well-banked marketplace and competes against large commercial banks, as well as community banks and non-banks. HAB also competes with the State Bank of India, Bank of India and Broadway National.

On its December 31, 2009 Call Report, as submitted to the Federal Deposit Insurance Corporation (“FDIC”), HAB reported total assets of \$681.2 million, of which \$341.1 million were net loans. HAB reported total deposits of \$419.7 million in domestic offices and \$200.6 million in foreign offices, which totals \$620.3 million.

In addition to small business loans, HAB offers letters of credit to its customers. These letters of credit are not considered loans on the bank’s Call Report. However, these letters of credit are responsive to the credit needs of HAB’s business customers.

According to the latest available comparative deposit data dated June 30, 2009, HAB had a market share of 0.05%, or \$244 million out of \$524 billion inside its market, ranking it 69th among 121 other deposit-taking institutions in New York, Queens and Nassau Counties.

The following is a summary of the bank’s lending portfolio, based on Schedule RC-C of the bank’s December 31, 2006, December 31, 2007, December 31, 2008 and December 31, 2009 call reports:

TOTAL GROSS LOANS OUTSTANDING								
LOAN TYPE	12/31/2006		12/31/2007		12/31/2008		12/31/2009	
	\$	%	\$	%	\$	%	\$	%
1-4 Residential Loans	24,460	12.9	22,648	9.6	22,645	7.8	26,132	8.3
Commercial Mortgage Loans	94,814	50.1	106,320	45.0	150,877	52.2	186,240	59.0
Commercial & Industrial Loans	55,697	29.4	76,038	32.2	77,334	26.8	72,420	23.0
Consumer Loans	4,346	2.3	10,212	4.3	12,471	4.3	16,522	5.2
Construction Loans	1,815	1.0	1,432	0.6	2,773	1.0	2,731	0.9
Multifamily Loans	455	0.2	474	0.2	1,330	0.5	1,835	0.6
Other Loans	7,827	4.1	19,098	8.1	21,506	7.4	9,579	3.0
<b>Total Gross Loans</b>	<b>189,414</b>	<b>100.0</b>	<b>236,222</b>	<b>100.0</b>	<b>288,936</b>	<b>100.0</b>	<b>315,459</b>	<b>100.0</b>

As illustrated in the above chart, HAB is primarily a commercial lender with 82.0% of its loan portfolio in commercial and industrial and commercial mortgage loans. However, the schedule of loans originated by type show a substantial majority of the total loans originated were small business loans.

HAB operates six banking offices; three are located within its New York assessment area. The three branches are on Madison Avenue and 29<sup>th</sup> Street in Manhattan, in Jackson Heights, Queens and Hicksville, Nassau. The branch in Hicksville was opened on November 16, 2007. Each branch office has a deposit taking Automatic Teller machine (ATM) that is available 24-hours/7 days a week.

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

**Assessment Area:**

HAB is located at 99 Madison Avenue (between East 29<sup>th</sup> and East 30<sup>th</sup> Streets), New York, New York. HAB's assessment area is composed of a portion of New York County, a portion of Queens County and the northeastern part of Nassau County.

The New York County assessment area runs from the Hudson River to the East River, between 15<sup>th</sup> Street and 59<sup>th</sup> Street. The Queens County assessment area includes the communities of Astoria, Elmhurst, Corona, Jackson Heights, Woodside, Flushing and Maspeth. The Nassau County assessment area covers the northeastern area that surrounds the Hicksville Branch. New York and Queens Counties are part of MSA 5600

(New York). Nassau County is part of the Nassau-Suffolk NY Metropolitan Division (#35004).

Based on the 2000 U.S Census, there were 277 census tracts in the assessment area. There is one low-income, 73 moderate-income, 128 middle-income, 70 upper-income and five zero-income tracts. Although the assessment area was revised since the last CRA examination, the changes were not significant.

<b>Distribution of Assessment Area Census Tracts by Income Level – 2009</b>							
<b>County</b>	<b>NA</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>Total</b>	<b>LMI %</b>
New York	1	1	3	9	47	61	6.6
Queens	4	0	68	81	10	163	41.7%
Nassau	0	0	2	37	13	52	3.8%
<b>Total</b>	<b>5</b>	<b>1</b>	<b>73</b>	<b>128</b>	<b>70</b>	<b>276</b>	<b>26.8%</b>

\* Per 2000 U.S. Census Data

*The assessment area appears reasonable based on the location of bank’s offices and its lending strategies. There is no evidence that LMI areas are arbitrarily excluded.*

#### **Details of Assessment Area:**

According to the 2000 U.S. Census Bureau, the assessment area had a population of 1.2 million. About 12.6% of the population were over the age of 65 and 16.9% were under the age of 16.

Of the 270.8 thousand families in the assessment area, 21.6% were low-income, 17.5% were moderate-income, 19.9% were middle-income and 41% were upper-income families. There were 485.1 thousand households in the assessment area, of which 11.8% had income below the poverty level and 2.9% were on public assistance.

According to the 2000 U.S. Census, the median family income within the assessment area was \$62.7 thousand. The U.S. Department of Housing and Urban Development’s (“HUD”) adjusted median family income for the area was \$71.7 thousand.

There were 510.5 thousand housing units within the assessment area, including 196 thousand (38.4) one- to four-family units and 314 thousand (61.5%) multifamily units. Owner-occupied units comprised 179.6 thousand units, while 305.9 thousand units (59.9%) were rental occupied units. Of the 179.6 thousand owner-occupied units, 12.7% were in moderate-income geographies, while 55% were in middle-income areas and 32.4% were in upper-income tracts. The median age of the housing stock was 58 years and the weighted average home value in the assessment area was \$248.1 thousand.

There were 218.2 thousand businesses in the assessment area. Of these, 69.7% were businesses with reported revenues of less than or equal to \$1 million, 9% reported revenues of more than \$1 million and 22.3% did not report their revenues. Of all the businesses in the assessment area, 80% were businesses with less than fifty employees while 91.2% operated from a single location. The largest industries in the area were

service providers (42.6%), followed by retail trade companies (13.5%) and finance, insurance & real estate industries (11.3%), while 12.6% of businesses in the assessment area were not classified.

### **Unemployment Rates**

The following tables show the annual unemployment rates for the counties that comprised the assessment area. The statewide rates are included in the comparison:

<b>Assessment Area Unemployment Rate</b>				
	<b>Statewide</b>	<b>New York</b>	<b>Queens</b>	<b>Nassau</b>
<b>2006</b>	4.6	4.3	4.5	3.8
<b>2007</b>	4.5	4.2	4.4	3.7
<b>2008</b>	5.3	4.9	4.9	4.7
<b>2009</b>	8.4	8.5	8.6	6.9

According to the New York State Department of Labor, Nassau County continuously had a lower unemployment rate than the statewide rates during the assessment period. New York and Queens County had lower unemployment rates than the state's average from 2006 to 2008. However, in 2009 New York and Queens County both had higher unemployment rates than the overall state.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*HAB's performance was evaluated according to the intermediate small bank performance criteria under the Lending and Community Development tests, pursuant to part 76.12 of the General Regulations of the Banking Board. The Lending test includes the following criteria: (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 entails the review of: (1) Community Development Loans (2) Community Development Investments and (3) Community Development Services. The following factors were also considered in assessing HAB'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; 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 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 2006 to 2009. As noted in the section on Performance Context, HAB extended letters of credit, as well as small business loans. The analysis of lending factor (1) was based on the bank's balance sheet and therefore only included loans. Examiners considered small business loans and letters of credit in evaluating lending factors (2), (3) and (4) (as noted above). Lending factors (3) and (4) only considered loans and letters of credit within HAB's assessment area. Although HAB did make HMDA-reportable loans, the lending level was minimal (four loans) and not considered during this CRA exam.

Statistics employed in this evaluation were derived from various sources. In addition to specific loan information submitted by HAB, aggregate data for small business lending activity were obtained from the Federal Financial Institutions Examination Council ("FFIEC"). Small business loan aggregate data are shown for comparative purposes. HAB is not required to report small business loan originations; as such, HAB is not included in the aggregate data. As HAB did not make farm loans, the data only included non-farm loans.

Loan-to-Deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC. Deposit market share was derived from FDIC's deposit market share reports.

The demographic data referred to in this report were obtained from the 2000 U.S. Census, with the updated median family income figures provided by HUD. Business demographic data used in this report provided information on US businesses, enhanced by Dun & Bradstreet and updated annually.

As a result of the prior NYSBD CRA examination, HAB received a rating of “2” on the NYSBD Performance Evaluation dated December 31, 2005, reflecting a “Satisfactory” record of helping to meet community credit needs.

**CRA Rating: “Satisfactory”**

Lending Test: “Satisfactory”

**Loan-to-Deposit (LTD) Ratio Analysis and other Lending-Related Activities: “Satisfactory”**

The bank’s LTD ratio was reasonable considering its size, business strategy, financial condition and peer activity.

The bank’s average LTD ratio for the 16 quarters beginning January 1, 2006 and ending December 31, 2009 was 79.5%, which was lower than its peer group’s average of 87.5%, but still reasonable. These ratios were calculated from information shown in the bank’s Uniform Bank Performance Report (“UBPR”) as submitted to the Federal Deposit Insurance Corporation (“FDIC”). As shown on the chart below, the bank’s LTD ratios generally decreased while the peer group’s ratios increased from 2006 to 2008 then decreased in 2009.

<b>Loan-to-Deposit Ratio</b>									
	2006 (Q1)	2006 (Q2)	2006 (Q3)	2006 (Q4)	2007 (Q1)	2007 (Q2)	2007 (Q3)	2007 (Q4)	
Bank	92.5	87.6	90.0	86.3	84.8	87.0	84.7	93.5	
Peer	85.5	87.0	87.6	86.8	86.6	87.9	88.6	89.5	
	2008 (Q1)	2008 (Q2)	2008 (Q3)	2008 (Q4)	2009 (Q1)	2009 (Q2)	2009 (Q3)	2009 (Q4)	Average LTD
Bank	87.3	94.0	84.1	70.6	57.7	57.3	59.7	55.0	79.5
Peer	89.5	91.0	91.1	89.3	86.9	86.0	84.8	82.8	87.5

The decrease in the bank’s LTD ratio was due, in part, to the bank’s growth in correspondent banking. These correspondent banking relationships created short term deposit liabilities for the bank and no loans. Another reason the lower LTD ratios were considered reasonable was the large amount of letters of credit extended by the bank, which were not reported as loans on the balance sheet.

HAB is a Small Business Administration approved lender and originated five 7(a) loans totaling \$1.8 million and one 504 loan totaling \$1.4 million during the assessment period.

**Assessment Area Concentration:”Satisfactory”**

The bank originated the majority of its loans and letters of credit within its assessment area. Based on the total number of small business loans and letters of credit made during the evaluation period, 76.3% were originated within the bank’s assessment area. Based on the

dollar amount of loans originated from 2006 to 2009, 64.7% were originated within the bank's assessment area.

Distribution of Loans and Letters of Credit Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business Loans										
2006	233	92.8	18	7.2	251	18,349	83.2	3,693	16.8	22,042
2007	233	95.1	12	4.9	245	13,710	89.0	1,700	11.0	15,410
2008	132	89.8	15	10.2	147	9,164	81.0	2,147	19.0	11,311
2009	109	87.9	15	12.1	124	9,479	69.7	4,127	30.3	13,606
<b>Subtotal</b>	<b>707</b>	<b>92.2</b>	<b>60</b>	<b>7.8</b>	<b>767</b>	<b>50,702</b>	<b>81.3</b>	<b>11,667</b>	<b>18.7</b>	<b>62,369</b>
Letters of Credit										
2006	475	83.2	96	16.8	571	55,613	73.8	19,746	26.2	75,359
2007	395	62.0	242	38.0	637	44,000	50.4	43,344	49.6	87,344
2008	432	74.4	149	25.6	581	54,045	63.5	31,016	36.5	85,061
2009	372	65.7	194	34.3	566	44,004	59.5	29,930	40.5	73,934
<b>Subtotal</b>	<b>1674</b>	<b>71.1</b>	<b>681</b>	<b>28.9</b>	<b>2,355</b>	<b>197,662</b>	<b>61.4</b>	<b>124,036</b>	<b>38.6</b>	<b>321,698</b>
<b>Grand Total</b>	<b>2,381</b>	<b>76.3</b>	<b>741</b>	<b>23.7</b>	<b>3,122</b>	<b>248,364</b>	<b>64.7</b>	<b>135,703</b>	<b>35.3</b>	<b>384,067</b>

**Distribution by Borrower Characteristics: "Satisfactory"**

The overall distribution of loans and letters of credit based on borrower characteristics reflected a reasonable penetration among businesses of different revenue sizes and was comparable to the aggregate's lending penetration ratio. It is important to note that the aggregate data only include small business loans, while HAB's data include both small business loans and letters of credit.

In 2006 and 2007, HAB's lending/line of credit penetration ratio to businesses with revenues of less than or equal to \$1MM was below the aggregate's and the business demographics. However, HAB's penetration ratio increased in 2008 as the aggregate's decreased, leading to HAB surpassing the aggregate. HAB's lending penetration ratio increased significantly in 2009. Although aggregate data are not available, HAB's record in 2009 appeared to be more than reasonable. The following chart provides a summary of the bank's small business lending distribution based on borrower revenues during the evaluation period.

Distribution of Small Business Loans and Letters of Credit by Revenues									
2006									Business Demographics
Bus. Rev.	Bank				Aggregate				
	#	%	\$000	%	#	%	\$000	%	%
\$1MM=>	168	23.7	26,598	36.0	22,881	27.8	603,260	34.2	62.6
<\$1MM	526	74.3	45,958	62.1					10.4
Unknown	14	2.0	1,408	1.9					27
<b>Total</b>	<b>708</b>	<b>100.0</b>	<b>73,964</b>	<b>100.0</b>	<b>82,277</b>		<b>1,763,124</b>		<b>100</b>
2007									Business Demographics
Bus. Rev.	Bank				Aggregate				
	#	%	\$000	%	#	%	\$000	%	%
\$1MM=>	126	20.2	17,681	30.8	24,946	28.9	652,567	33.6	65.6
<\$1MM	485	77.6	39,174	68.2					10.1
Unknown	14	2.2	591	1.0					24.3
<b>Total</b>	<b>625</b>	<b>100.0</b>	<b>57,446</b>	<b>100.0</b>	<b>86,319</b>	<b>100</b>	<b>1,941,427</b>	<b>100</b>	<b>100</b>
2008									Business Demographics
Bus. Rev.	Bank				Aggregate				
	#	%	\$000	%	#	%	\$000	%	%
\$1MM=>	143	25.4	25,296	40.0	13,022	19.3	433,311	25.2	64.8
<\$1MM	389	69.0	35,177	55.7					9
Unknown	32	5.7	2,734	4.3					26.2
<b>Total</b>	<b>564</b>	<b>100.0</b>	<b>63,207</b>	<b>100.0</b>	<b>67,616</b>	<b>100</b>	<b>1,721,843</b>	<b>100</b>	<b>100</b>
2009									Business Demographics
Bus. Rev.	Bank				Aggregate				
	#	%	\$000	%	#	%	\$000	%	%
\$1MM=>	217	45.1	28,227	52.8	Not Available				70.9
<\$1MM	230	47.8	18,493	34.6					8.7
Unknown	34	7.1	6,765	12.6					20.4
<b>Total</b>	<b>481</b>	<b>100.0</b>	<b>53,485</b>	<b>100.0</b>					<b>100</b>
Grand Total									Business Demographics
Bus. Rev.	Bank				Aggregate				
	#	%	\$000	%	#	%	\$000	%	%
\$1MM=>	654	27.5	97,802	39.4		25.8		31.128	70.9
<\$1MM	1630	68.5	138,802	55.9					8.7
Unknown	94	4.0	11,498	4.6					20.4
<b>Total</b>	<b>2378</b>	<b>100.0</b>	<b>248,102</b>	<b>100.0</b>					<b>100</b>

### Geographic Distribution of Loans: “Satisfactory”

Based on performance context, the geographic distribution of small business loans and letters of credit reflected a reasonable dispersion among census tracts of different income levels. As noted in the section on performance context, HAB primarily lent to importers and exporters that have active business dealings with traders to India, Pakistan, Bangladesh,

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and Sri Lanka. Within HAB's Manhattan assessment area, many of these businesses are not located in LMI census tracts. The bank's record was also a reflection of its business model, where the majority of credits were multiple letters of credit to few business clients. As these repeat clients were not located in LMI census tracts, HAB's penetration ratio for geographic distribution of lending was extremely low. However, performance context made this record reasonable.

For example, in 2009, 279 of the 396 loans and letters of credit extended in upper-income census tracts were extended to just five borrowers. Similarly in 2008, 226 of the 343 loans and letters of credit were also extended to just five borrowers (many of the same borrowers from year-to-year). In all four years of the evaluation period, all letters of credit originated in NA census tracts (0094.00) in Manhattan were made to only one borrower. In 2006 and 2007, the bank originated 140 and 191 letters of credit, respectively to the same borrower. Likewise in 2008 and 2009, there were 185 and 57 letters of credit issued to the same borrower located in NA tracts. This lending pattern significantly distorts HAB's lending record. The following chart provides a summary of the bank's small business lending distribution without letters of credit during the evaluation period.

<b>Distribution of Small Business Loans and Letters of Credit by Geography Income Level</b>									
<b>2006</b>									
<b>Inc. Lev.</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus. Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	
Low	0	0	0	0.0	0	-	0	-	
Moderate	0	0	0	0.0	10,712	13	200,768	11.4	9.8%
Middle	15	2.1	825	1.1	30,803	37.4	546,157	31	25.3%
Upper	336	47.5	40,925	55.3	38,262	46.5	941,813	53.4	62.3%
N/A	357	50.4	32,214	43.6	2,500	3	74,386	4.2	2.6%
<b>Total</b>	<b>708</b>	<b>100.0</b>	<b>73,964</b>	<b>100.0</b>	<b>82,277</b>	<b>100</b>	<b>1,763,124</b>	<b>100</b>	<b>100%</b>
<b>2007</b>									
Low	0	0	0	0	0	-	0	-	.
Moderate	3	0.5	224	0.4	12,244	14.2	199,177	10.3	9.7%
Middle	11	1.8	1,070	1.9	33,144	38.4	599,033	30.9	24.8%
Upper	422	67.2	39,888	69.1	38,548	44.7	1,048,827	54	62.8%
N/A	192	30.6	16,529	28.6	2,383	2.8	94,390	4.9	2.7%
<b>Total</b>	<b>628</b>	<b>100</b>	<b>57,711</b>	<b>100.0</b>	<b>86,319</b>	<b>100</b>	<b>1,941,427</b>	<b>100</b>	<b>100%</b>
<b>2008</b>									
Low	0	0.0	0	0.0	0	-	0	-	
Moderate	2	0.4	51	0.1	8,995	13.3	218,465	12.7	9.7%
Middle	32	5.7	2,769	4.4	25,011	37	523,712	30.4	25.1%
Upper	343	60.8	40,332	63.8	31,396	46.4	885,044	51.4	62.4%
N/A	187	33.2	20,057	31.7	2,214	3.3	94,622	5.5	2.8%
<b>Total</b>	<b>564</b>	<b>100.0</b>	<b>63,209</b>	<b>100.0</b>	<b>67,616</b>	<b>100</b>	<b>1,721,843</b>	<b>100</b>	<b>100%</b>
<b>2009</b>									
Low	0	0.0	0	0.0	N/A				
Moderate	2	0.4	782	1.5					
Middle	26	5.4	3,474	6.5					
Upper	396	82.3	44,631	83.4					
N/A	57	11.9	4,596	8.6					
<b>Total</b>	<b>481</b>	<b>100.0</b>	<b>53,483</b>	<b>100.0</b>					<b>100.0%</b>
<b>Grand Total</b>									
Low	0	0.0	0	0.0		0.0		0.0	
Moderate	7	0.3	1057	0.4		13.5		11.4	
Middle	84	3.5	8138	3.3		37.7		30.8	
Upper	1497	62.9	165776	66.7		45.8		53.0	
N/A	793	33.3	73396	29.6		3.0		4.9	
<b>Total</b>	<b>2381</b>	<b>100.0</b>	<b>248367</b>	<b>100.0</b>		<b>100.0</b>		<b>100.0</b>	

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

Since the latest CRA evaluation on December 31, 2005, neither the bank nor the New York State Banking Department has received any written complaints regarding the bank’s CRA performance.

**Community Development Test – “Satisfactory”**

HAB demonstrated a reasonable responsiveness to the community development needs of its assessment area. During the evaluation period, the bank’s community development loans and investments totaled \$7.2 million.

Community Development Loans: “Satisfactory”

During the evaluation period, HAB made a total of \$4.3 million in community development loans. In 2008, the bank extended a \$4 million loan to renovate a property located in East Brooklyn, a New York State Empire Zone. The loan will help revitalize and stabilize the LMI area. Also, the bank renewed and increased to \$100 thousand a \$25 thousand line of credit to New York Business Development Corporation. NYBDC works in partnership with banks to provide term loans, many of which do not meet the requirements for traditional financing. Its goal is to assist, promote and through the cooperative efforts of its lending partners by providing loans to small businesses including start-up, early stage and mature businesses with a particular emphasis on minority and women owned businesses.

Community Development Investments: “Satisfactory”

The bank committed a reasonable volume of dollars (a total of \$3 million), in community development investments during the evaluation period. HAB had \$100,000 worth of certificates of deposit invested at the following community development financial institutions (“CDFI”): Carver Federal Savings Bank, Union Settlement Federal Credit Union, Bethex Federal Credit Union, Lower East Side People’s Federal Credit Union, Brooklyn Cooperative Federal Credit Union, New York National Bank and Community Capital Bank.

These certificates of deposits were renewed every year. In addition, the bank made \$131.6 thousand in eligible grants during the assessment period.

Community Development Services: “Satisfactory”

HAB provided community development services benefiting its assessment area by helping various not-for-profit organizations. HAB provided technical assistance to community-based organizations; conducting seminars and presentations addressing small business development, financial literacy and other topics.

The following are examples of HAB’s community development activities during the evaluation period.

In partnership with economic development entities, HAB sponsored and participated in

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activities which provided guidance to small business owners. For example, HAB sponsored and presented numerous financially related seminars at the Long Island Import/Export Association, including: "Protecting Your Company Assets during this Turbulent Economic Times," "Unveiling the Mystique of International Financing," and "Boycott Clauses & Letters of Credit."

Through the American Bankers Association Education Foundation program, "Teach Children to Save," two bank employees taught two classes at P.S. 069Q in Queens. According to the NYC Department of Education, P.S. 069Q is a Title I school where 78% of the students are below the poverty rate.

In 2008, HAB's Queens branch held its first SBA seminar for 20 potential small business customers, as well as students from a local business trade college.

In 2009, HAB participated in a fundraising dinner organized by Domestic Harmony Foundation, a Long Island organization that provides financial assistance to victims of domestic violence.

In 2008 & 2009, HAB's Queens branch participated in a community and merchant networking gathering of the Jackson Heights Merchant Association.

### **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.**

The Board of Directors has appointed a senior member of management as the CRA officer to monitor the bank's compliance with CRA. Management submitted annual CRA updates to the board of directors.

### **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.

Examiners 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.

The most recent regulatory compliance and fair lending examinations conducted did not find any evidence of prohibited discriminatory lending practices.

A fair lending examination was conducted concurrently with this CRA examination. That exam indicated satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

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

No branches were opened or closed during the evaluation period.

### **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.

HAB's management ascertained the credit needs of the assessment area through direct contact with its customers. Many staff, including senior members of management and line managers, participated in the activities of community organizations such as Neighborhood Housing Services of New York City, various chambers of commerce and numerous Asian-focused organizations and events such as the Asia Society, The Association of Indians in America, Indian American Forum, Sikh Association, and Nassau County Pakistani American Night. HAB also participated in AMCOT events. AMCOT is a cooperative of small exporters. The chairman and vice chairman of the board call on clients to ascertain needs and explain the services and policies of the Bank.

- 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.

The bank's personnel regularly made telephone calls to local merchants and frequently visited the offices of its customers. HAB also held luncheons for customers and potential customers to meet senior management and be informed about the bank's products and services. In addition, HAB placed advertisements in community publications, such as Pakistan Calling, India Journal, The South Asian Times and The Punjab Times.

### **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.**

HAB offers the following products and services geared towards low- and moderate-income individuals:

Low cost personal checking accounts  
Smart Checking with low minimum balance requirement  
Low Balance Savings Accounts  
Low Balance CD Account

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In addition, HAB offers low cost international money transmitter services, which meet a specific financial need in the area. The typical remittance is initiated by an individual with ties to India, Pakistan, Bangladesh and Sri Lanka with an average amount of \$1,000. The typical remitter has a modest paying job and supports his family who has not yet migrated to the US.

## 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

The term “community development” is defined to mean:

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.

A “community development loan” is defined as a loan that has as 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.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. 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.

A “community development service” is defined as a service that has as its *primary purpose* community development, 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.

**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 of the person, family or household is based on the income of person, family or household. 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 (“GAR”) of \$1 million or less (“< = \$ 1MM”).

**Low or Moderate Income (“LMI”) Geographies**

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 US 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 the case 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 depicts 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.

### **Small Business Loans**

Loans to businesses with original amounts of  $\leq$  \$1MM.