



**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:** Israel Discount Bank of New York  
511 5th Avenue  
New York, NY 10017

**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 Israel Discount Bank (“IDBNY”) prepared by the New York State Banking Department<sup>1</sup>. 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 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.

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<sup>1</sup> Effective 10/3/2011, New York State Banking Department merged with New York State Insurance Department and renamed as New York State Department of Financial Services.

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

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

IDBNY's performance 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 Banking Board. The assessment period covered calendar years of 2007, 2008 and 2009. IDBNY is rated "2", indicating a "Satisfactory" record of helping to meet community credit needs. This rating is a downgrade from the prior rating of "1," (Outstanding) based on the NYSBD Performance Evaluation dated December 31, 2006.

This rating is based on the following factors:

### **Community Development Activity (Loans, Investments, Services): "Satisfactory"**

IDBNY's community development performance demonstrated an adequate responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering the bank's capacity and the need and availability of such opportunities for community development in its assessment area.

During the evaluation period, IDBNY originated \$32.8 million in new community development loans, and had \$13.2 million outstanding from prior evaluation periods. Also during the evaluation period, IDBNY made \$20.6 million in new community development investments and had \$1.9 million outstanding from prior evaluation periods. In addition, IDBNY made \$700 thousand in community development grants. However, the community development loan portfolio decreased by 16%, grants decreased by 30%, and investments decreased by 4.42% from the prior evaluation period.

### **Community Development Loans: "Satisfactory"**

During the evaluation period, IDBNY originated \$32.8 million in new community development loans, and had \$13.2 million outstanding from prior evaluation periods. This demonstrated an adequate level of community development lending over the course of the evaluation period<sup>1</sup>.

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

During the evaluation period, IDBNY made \$20.6 million in new community development investments, and had \$1.9 million outstanding from prior evaluation. In

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<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.

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addition, the bank made a total of \$700 thousand in grants during the evaluation period. This demonstrated an adequate level of community development investments over the course of the evaluation period.

*Community Development Services: “Satisfactory”*

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

**Innovative or Complex Practices: “Satisfactory”**

IDBNY demonstrated an adequate level of innovative or flexible community development practices. In working with community development organizations, financial intermediaries, and purchasing various types of investments, IDBNY made an adequate use of innovative or complex lending and investment practices.

**Responsiveness to Credit and Community Development Needs: “Satisfactory”**

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

*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:**

IDBNY is a state-chartered non-member commercial bank. In March 1998, the FDIC designated IDBNY as a wholesale institution for CRA evaluation purposes.

IDBNY is a wholly-owned subsidiary of Israel Discount Bank Limited (IDB Ltd.), headquartered in Tel-Aviv, Israel. IDB Ltd. began its operations in New York City in 1949 with a representative office and opened a branch in 1962. IDB Ltd. acquired Hias Immigrant Bank in 1967 and changed the name to IDB Trust Company, an FDIC-insured institution. In 1980, the branch's assets were transferred to the renamed, wholly-owned IDB Ltd. subsidiary, IDBNY. In March 2000, IDBNY became a wholly-owned subsidiary of Discount Bancorp, Inc., a Delaware holding company. Discount Bancorp Inc. also owns two other subsidiaries, which are affiliates of the bank: DB Properties, Inc., an operator of non-residential buildings, and IDB Mortgage Corp, an inactive mortgage company regulated by the NYSBD.

IDBNY's broad range of banking services include personal and business accounts (checking, money market, savings, U.S. dollar and foreign currency time deposits, Visa credit cards, safe deposit boxes (certain locations), online banking, travelers checks, money orders, U.S. and international private banking, structured time deposits, and loans (middle-market, asset-based, CRE, trademark financing, factoring, and trade finance). The trade finance services also include import and export letters of credit, documentary collections, and bankers' acceptances. Other services include standby letters of credit, money transfers, lockbox facilities, cash management and safekeeping and custody of securities. Equipment leasing is available through a subsidiary, IDB Leasing Inc., and its vendor-driven division, Fleetwood Financial. The organization does not exercise any trust powers.

Management's strategy involves growing the bank's domestic private banking business, which is expected to increase the domestic deposit base. The bank continues to run off activities in its leasing subsidiary, in order to focus more on its core business strengths. Recent developments include the expansion of private banking services, investment management, and trusts services, and the addition of cash management and remote deposit services.

In addition to its main office at 511 Fifth Avenue and its branch at 1350 Broadway (both in New York City), banking services are provided through its branches in Beverly Hills, CA, downtown Los Angeles, CA, and Aventura, Florida.

According to the Consolidated Report of Condition (the Call Report) as of December 31, 2009, filed with the Federal Deposit Insurance Corporation ("FDIC"), IDBNY reported total assets of \$9.5 billion, of which \$3.5 billion were net loans and lease finance receivables. It also reported total deposits of \$4.7 billion, resulting in a loan-to-deposit ratio of 73.69%. According to the latest available comparative deposit data, as of June 30, 2010, IDBNY

obtained a market share of .65%, or \$3.8 billion out of \$588 billion inside its market, ranking it 15th among 119 deposit-taking institutions in its assessment area.

The following is a summary of the bank's loan portfolio, based on Schedule RC-C of the bank's December 31, 2007, December 31, 2008, and December 31, 2009 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
Loan Type	2007		2008		2009	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	53,333	1.5	14,259	0.4	8,719	0.3
Commercial & Industrial Loans	2,213,702	63.5	2,401,558	66.4	1,967,865	60.7
Commercial Mortgage Loans	587,044	16.8	646,081	17.9	678,539	20.9
Multifamily Mortgages	52,247	1.5	75,461	2.1	73,025	2.3
Consumer Loans	76,548	2.2	75,935	2.1	72,314	2.2
Agricultural Loans	0	0.0	0	0.0	0	0.0
Construction Loans	99,756	2.9	92,875	2.6	93,104	2.9
Obligations of States & Municipalities	0	0.0	0	0.0	0	0.0
Other Loans	215,457	6.2	247,611	6.8	305,412	9.4
Lease financing	186,175	5.3	64,007	1.8	45,016	1.4
<b>Total Gross Loans</b>	<b>3,484,262</b>		<b>3,617,787</b>		<b>3,243,994</b>	

As illustrated in the above chart, IDBNY is primarily a commercial lender, with 60.7% of its loan portfolio in commercial and industrial loans and 20.9% in commercial mortgages.

*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:**

The bank's assessment area is comprised of the five counties of New York City: Bronx, New York, Kings, Queens and Richmond, which is part of the New York-Northern New Jersey-Long Island MSA #35620, and falls within Metropolitan Division 35644.

There are 2,217 census tracts in the area, of which 326 are low-income, 613 are moderate-income, 663 are middle-income, 557 are upper-income and 58 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
New York	9	60	59	24	144	296	40.2
Queens	18	12	148	310	185	673	23.8
Richmond	2	3	11	29	65	110	12.7
Total	58	326	613	663	557	2,217	42.4

*The assessment area appears reasonable based upon the location of the bank'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 million during the examination period. About 11.7% of the population were over the age of 65 and 21.6% were under the age of 16.

Of the 1,870 families in the assessment area, 30.8% were low-income, 16.7% were moderate-income, 17.0% were middle-income and 35.5% were upper-income families. There were 3,022 households in the assessment area, of which 19.7% had income below the poverty level and 7.5% were on public assistance.

The MSA median family income within the assessment area was \$49 thousand. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income for the area was \$65 thousand in 2000. There were five counties within the assessment area.

There were 3,200,912 housing units within the assessment area, of which 39.1% were one-to four-family units, and 60.8% were multifamily units. A majority, 65.9% of the area's housing units were rental occupied units, while 28.5% were owner-occupied.

Of the 912,133 owner-occupied housing units, 3.3% were in low-income tracts, 17.3% were in moderate-income tracts, 34.4% were in middle-income tracts and 44.9% were in upper-income tracts. The median age of the housing stock was 59 years and the median home value in the assessment area was \$240.9 thousand.

Of the 2,109,455 rental occupied units, 19.5% were in low-income tracts, 33.9 were in moderate-income tracts, 23.6% were in middle-income tracts, and 23% were in upper-income tracts. The median monthly gross rent in the assessment area was \$745.

There were 660.4 thousand non-farm businesses in the assessment area. Of these, 74.6% were businesses with reported revenues of less than or equal to \$1 million, 5.7% reported revenues of more than \$1 million and 19.7% did not report their revenues. Of all the

businesses in the assessment area, 81.8% were businesses with less than fifty employees and 93.5% operated from a single location. The largest industries in the area were service providers (44.0%), followed by retail trade companies (16.9%) and finance, insurance and real estate companies (9.5%), while 11.5% of businesses in the assessment area were not classified.

According to the Federal Reserve Bank of New York’s Economic Press Briefing in July 2010, there were signs of a slow economic recovery in New York City and other parts of the state. However, the New York State 90-Day Pre-Foreclosure Notice Report dated October 2010 showed that foreclosures were still a problem in the assessment area. Between February 13 and August 31, 2010, there were 38,460 (28.7%) out of 134,000 pre-foreclosure filings in New York City. Of those filings, 38,476 (28.7%) were loans that originated during the evaluation period. The statewide average of 90-day pre-foreclosure filings as a percentage of total mortgages on comparable properties was 5.2%, four counties in the assessment area were above the average. Of the 548,308 mortgages in Bronx, Queens, Kings, and Richmond Counties, 35,460 borrowers received a 90-Day Pre-Foreclosure Notice, which at 6.4%, was 1.2 percentage points above the statewide average. In New York County, 2.8% of borrowers received a notice.

According to the New York State Department of Labor, the average unemployment rate for New York State rose to 8.4% in 2009 from 5.3% in 2008, and 4.5% in 2007. From 2007 to 2009, unemployment rates increased for all five counties that make up the bank’s assessment area (New York City). From 2007 to 2009, the unemployment rate in the Bronx and Kings Counties was above the state’s average while New York, and Richmond Counties were largely below the state average. Queens County was below the state average in 2007, but rose above it in 2009. Overall, unemployment has risen significantly since the last evaluation in 2006. The increasing trend in all geographies was a result of the nationwide 2008/2009 economic downturn.

<b>Assessment Area Unemployment Rate</b>							
	Statewide	NYC	New York	Kings	Queens	Bronx	Richmond
2007	4.5	4.9	4.2	5.3	4.4	6.6	4.4
2008	5.3	5.4	4.7	5.8	4.9	7.3	4.9
2009	8.4	9.5	8.5	10.1	8.6	12.2	8.4

**Community Information**

Enterprise Community Loan Fund is a subsidiary of Enterprise Community Partners which was founded in 1982 in Washington D.C. as a non-profit organization. Enterprise Community Partners is a leading provider of capital and expertise for affordable housing and community development. It receives almost \$1 million every year in grants from HUD’s Section 4 program which it gives to NYC organizations. The New York City office’s top priorities are: preserving affordable housing and strengthening neighborhoods, greening New York’s affordable housing, and providing financial resources for its partners. According to Enterprise, access to affordable housing is a primary need in the assessment

area and the market in 2009 reflected the best developers which were usually larger in size and able to get their projects done as compared to smaller developers. Enterprise is still doing fairly well in obtaining grants, although lending activity has been slower than in years past due to the economy but has improved in the latter part of 2009. Major financial institutions have not pulled out but have been asking for more information in regards to providing credit. Client delinquencies are up, but Enterprise isn't predicting major losses since it gives borrowers more time to repay. The organization has not had a relationship with IDBNY and did not mention the bank in a negative context.

## **PERFORMANCE TEST AND ASSESSMENT FACTORS**

*The Banking Department 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 Banking Board. 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 were also considered in assessing IDB’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 2007, 2008, and 2009.

Statistics employed in this evaluation were derived from various sources. The demographic data referred to in this report were derived from the 2000 U.S. Census data with the updated median family income figures provided by the U.S. Department of Housing and Urban Development (“HUD”). Business demographic data used in this report derive from information on US businesses, enhanced by Dun & Bradstreet and updated annually. Call report data that the institution filed with the FDIC are also used in the analysis.

IDBNY received a rating of “1,” reflecting an outstanding 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, 2006.

**Current CRA Rating:** “Satisfactory”

**Community Development Activities:** “Satisfactory”

IDBNY’s community development performance demonstrated an adequate responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering the bank’s capacity and the need and availability of such opportunities for community development in its assessment area.

During the evaluation period, IDBNY originated \$32.8 million in new community development loans, and had \$13.2 million outstanding from prior evaluation periods.

Also during the evaluation period, IDBNY made \$20.6 million in new community development investments and had \$1.9 million outstanding from prior evaluation periods. In addition, IDBNY made \$700 thousand in community development grants. The majority of the CRA portfolio was in community services and affordable housing. There was also a shift in focus from loans to investments due to a weak demand for credit products in the market attributed to the economic downturn during the evaluation period. The bank participated in several large credit projects, worked with financial intermediaries and utilized innovative financial products to address community needs. However, the community development loan portfolio decreased by 16%, grants decreased by 30%, and investments decreased by 4.42% from the prior evaluation period.

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

Community Development Lending: “Satisfactory

During the evaluation period, IDBNY originated \$32.8 million in new community development loans, and had \$13.2 million outstanding from prior evaluation periods. This demonstrated an adequate level of community development lending over the course of the evaluation period<sup>1</sup>.

<b>Community Development Loans</b>				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	0	\$0	1	\$113
Economic Development	6	\$9,414	4	\$444
Community Services	1	\$23,421	1	\$12,648
Other (Please Specify)	0	\$0	0	\$0
<b>Total</b>	<b>7</b>	<b>\$32,835</b>	<b>6</b>	<b>\$13,205</b>

Below is a description of IDBNY’s community development lending.

*Neighborhood Housing Services (NHS):* In June 2003, the bank renewed its \$500 thousand share in a secured revolving credit and term loan facility for the acquisition, construction or rehabilitation of multi-family and mixed-use apartment buildings in LMI neighborhoods of New York City. NHS is a non-profit community revitalization organization that works to increase investment in declining neighborhoods, supports neighborhood self reliance, and promotes affordable housing throughout New York City. As of December 2009, the outstanding balance of the facility was \$113 thousand.

<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.

- Community Services

*Nonprofit Finance Fund (NFF):* In June 2005, the bank renewed a \$400 thousand unsecured revolving line of credit to assist NFF in making loans to non-profit organizations and enterprises with a social mission. NFF is a non-profit financial intermediary that makes loans to nonprofit organizations and social enterprises that promote the economic, social or cultural development of diverse communities. NFF has several offices nationwide, including New York City. As of December 2009, the outstanding balance of the facility was \$125 thousand.

*Cabrini Medical Center (CMC):* In 2007 the bank approved a \$2 million six-month revolving line of credit, which converted to a 36-month term loan for working capital during the hospital's transition from an acute care hospital to an ambulatory care facility. In 2006, the NYS Berger Commission identified CMC as a nonprofit hospital designated for closure due to its financial struggles. In order to continue to serve the community, the hospital had to undergo the transition as outlined in the Berger Commission. This loan allowed CMC to continue its founding mission (since 1892) of providing health care for the poor.

*Maimonides Medical Center:* In August 2004, a three-part facility was approved which included an unsecured \$6.4 million Standby Letter of Credit, a collateralized \$1.7 million Standby Letter of Credit, and an unsecured \$6 million Equity Standby Letter of Credit. The purpose of the facility was to provide security to the Dormitory Authority for FHA-Insured Mortgage Hospital Revenue bonds issued to finance renovations of the existing Medical Campus Center in Brooklyn. In 2007 and 2009, the unsecured Standby Letter of Credit and the unsecured Equity Standby Letter of Credit were renewed for \$9.3 and \$7 million respectively. As of December 31, 2009, the collateralized Standby Letter of Credit had an outstanding balance of \$1.1 million. The medical center is located in a moderate income community and offers financial assistance to low income patients. In 2009, 72% of the patients served received Medicaid and Medicare. The following year, 34% received Medicaid and 38% received Medicare. Although Medicare is available to all senior citizens, research showed that nationwide at least 39% are LMI individuals due to limited retirement income.

*Central Suffolk Hospital DBA Peconic Bay Medical Center:* In June 2006 a \$13.1 million line of credit and \$1.9 million term loan were committed for the issue of IDA bonds, of which the proceeds were used to build six new operating rooms and to renovate the existing emergency room. The hospital provides services to indigent patients reimbursed by the Healthcare Reform Act (HCRA), bad debt and charity pools; these are accounts that can't be paid because the patient has little or no health insurance or money to cover the costs. In February 2007, a new \$3.4 million line of credit was added to the current facility which had an outstanding balance of \$10 million for the line credit and \$1.4 million for the term loan as of December 31, 2009.

- Economic Development

*Jamaica First Parking LLC/Greater Jamaica Development Corporation:* A \$4.5 million line of credit and term loan to Greater Jamaica Development Corporation, a nonprofit community development organization, was renewed for \$4.7 million in 2007 and renewed again in 2009 for \$4.5 million. This facility was approved for the issuance of a New York City Industrial Development Authority bond to Jamaica First LLC. The bond proceeds were used to purchase and improve two parking lots and one parking garage in Jamaica, Queens, which is an LMI area. As of December 2009, the outstanding balance of the term loan was \$444 thousand.

*Elk Associates-SBIC:* A \$1.3 million line of credit secured by NYC taxi medallions was renewed in October 2009 for \$250 thousand. The current line of credit is secured by a CD of the same amount. The purpose of the line is to provide working capital for the company, which makes loans to finance the acquisition and operation of small businesses.

*Community Development Investments:* “Satisfactory”

During the evaluation period, IDBNY made \$22.4 million in community development investments, of which \$1.9 million were outstanding from prior evaluation. In addition, the bank made a total of \$700 thousand in grants during the evaluation period. This demonstrated an adequate level of community development investments over the course of the evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	8	\$ 20,556	1	\$ 1,500
Economic Development	0	\$ -	1	\$ 124
Community Services	0	\$ -	0	\$ -
Revitalize & Stabilize	0	\$ -	1	\$ 242
<b>Total</b>	<b>8</b>	<b>\$ 20,556</b>	<b>3</b>	<b>\$ 1,866</b>
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	1	\$ 470		
Economic Development	4	\$ 14		
Community Services	44	\$ 216		
Revitalize & Stabilize	0	\$ -		
<b>Total</b>	<b>49</b>	<b>\$ 700</b>		

Below is a description of IDB’s community development investments.

- Affordable Housing

*NYC Housing Development Corp. - Multifamily*

In May 2009 the bank purchased \$6.3 million New York City municipal bond. The proceeds were used to finance construction and permanent mortgage loans for the acquisition and rehabilitation or new construction of certain developments under the New York City Housing Authority's Low-Income Affordable Marketplace Program.

*Access Capital Strategies – Community Investment Fund*

In August 2007, the bank invested \$2 million in this fund, whose core investment approach is to create specialized mortgage and asset-backed securities that support low- and moderate-income homebuyers, affordable housing, education, health care, and job creation in underserved communities.

*Mortgage Backed Securities*

The bank purchased \$12.2 million in new mortgage backed securities issued by FNMA, FHLMC, and GNMA. The collateral for the securities are residential mortgages extended to LMI individuals residing in LMI census tracts within the assessment area.

*Community Capital Management - CRA Qualified Investment Fund*

In 2002 the bank invested \$1.5 million in the fund, which is comprised of various CRA qualified securities. A total of \$1.12 million was used to purchase a pool of GNMA loans for Sunset Park Housing in Brooklyn, which is a Section 8 assisted property. A total of \$380 thousand was used to purchase a pool of FNMA loans for Taino Plaza Apartments in the Bronx, which provides 105 units for low- and moderate-income families.

- Economic Development

*ANC Navigator Growth Partners, L.P.*

In 2002 the bank invested LLC that operated a small business investment company. The remaining balance as of December 31, 2009, was \$124,205 attributed to the NY portion of the company.

- Revitalization & Stabilization Activities

*NY Emerging Neighborhood Fund, L.P.*

In December 2000, the bank invested \$15.5 thousand in the fund whose mission is to acquire, invest, manage, improve, and dispose of a diversified portfolio of real estate investments in LMI neighborhoods in New York City which primarily consists of residential and mixed-use properties. As of December 31, 2009, the balance of the fund was \$242 thousand.

Grants

IDBNY made \$700 thousand in grants to 22 organizations in its assessment area. Grants were given to organizations that promote economic development and provide

community services. The grantees include: Ohel Children's Home and Family Services, Sephardic Bikur Holim Community Service Network, UJA Federation of New York, and ORT America. These grants amounted to \$580.8 thousand or 83% of the bank's total grants. A brief description of the grantees follows:

*Federal Home Loan Bank of New York (FHLBNY)*

IDBNY is a member of the FHLBNY, which mandates that a percentage of its member banks' earnings from their FHLBNY deposits to be used to fund the FHLBNY Affordable Housing Program. IDBNY contributed \$470 thousand of its FHLBNY earnings to the program that were used in its assessment area for 2008 and 2009.

*Ohel Children's Home and Family Services (\$36.0 thousand)*

Established in 1969, its mission is to protect and strengthen individuals and families by meeting the diverse social service needs of the Jewish community in New York City. Among the services it provides is counseling and support groups for women and children as well as temporary safe housing for victims of domestic violence. Ohel educates the community about this issue and the importance of providing options for women who are in abusive relationships. Its volunteers assist battered women in creating a new life after leaving home by accompanying women to court, helping them open bank accounts, obtain entitlements and with other challenging tasks. The organization also provides affordable housing for LMI individuals and foster care. The organization operates in a moderate income area in Brooklyn.

*Sephardic Bikur Holim Community Service Network (\$32.1 thousand)*

Founded in 1974, Sephardic Bikur Holim Community Service Network is a mental health and social service agency dedicated to caring for LMI individuals. It provides for the health, sustenance, support, and well-being of children and adults, the infirm and the disadvantaged through an ever-expanding spectrum of programs and resources.

*UJA Federation of New York (\$22.5 thousand)*

A key part of its mission is caring for those in need. The UJA Federation of New York offers a safety net for all ethnic and religious backgrounds through its network of agencies by feeding the hungry, sheltering the homeless, training the unemployed, empowering the disabled, and extending a compassionate hand to the elderly.

*ORT (Organization for Rehabilitation through Training) America (\$20.1 thousand)*

ORT provides students with technical and vocational training. It operates Bramson College, with campuses in Forest Hills and Brooklyn, is accredited by the NYS Board of Regents. It specializes in meeting the needs of low-income students, providing them with job skills and job placement assistance.

*Community Development Services: "Satisfactory"*

IDBNY demonstrated an adequate level of community development services over the course of the evaluation period. Below is a description of IDBNY's community development services.

*La Guardia Community College (LGCC) - City University of New York*

The bank provided paid internships for 13 LGCC students during the evaluation period. Although the bank did not collect LMI data on the interns, 70% of the students qualify for financial aid, which typically awards Pell and other grants based on family income of \$20 thousand or less. The internships provided students with temporary income, work experience, and career development.

Several bank officers were involved in community development organizations:

- The executive vice president and the first senior vice president of the bank were members of the Executive Committee of ORT (described above).
- The first senior vice president/corporate lending officer of IDBNY was a member of the Leadership Committee of Big Brothers and Big Sisters of New York City, which provides fundraising for the organization. Founded in 1904, the organization's primary program matches low-income youth from single-parent homes, between the ages of seven and 18, with a carefully screened adult role model 21 years or older. These mentors meet with youngsters at least every other week for four hours and maintain regular phone contact. Each one-to-one relationship is also supported by a social worker responsible for supervision.
- The senior vice president/Director of Investment Management & Corporate Trust was a board member of the Staten Island Economic Development Corporation (SIEDC). SIEDC's mission is to enhance the Staten Island economy by promoting public and private investment and encouraging the development of commercial and industrial property and projects.
- The senior vice president/Director of Investment Management & Corporate Trust sits on the board of Community Resources Capital Foundation which provides funding for Community Resources. Established in 1953, Community Resources provides a comprehensive range of services for individuals of all ages and levels of disability. They serve 1,000 directly and an additional 2,500 through advocacy and referral services on Staten Island. Some of the services provided are: children's evaluation and related service provision, day treatment, educational services, work readiness, Medicaid service coordination, and residential services. The organization receives about 79% of its funding from Medicaid.

**Innovative or Complex Practices**

IDBNY demonstrated an adequate level of innovative or flexible community development practices. In working with community development organizations, financial intermediaries, and purchasing various types of investments, IDBNY made an adequate use of innovative or complex lending and investment practices.

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

IDBNY 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/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 and senior management team oversaw the bank's CRA program. CRA was addressed by the Compliance Committee and the board at least once annually. The bank also conducted an annual CRA self-assessment which was presented to the board for approval. Training on CRA regulations and the bank's CRA program was most recently performed in October 2009 for 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.*

NYSBD 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.*

NYSBD 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**

The bank has not opened or closed any branches since the prior evaluation.

### **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.*

The bank ascertained community needs indirectly through business development activities and involvement in charitable organizations, some of which have had long-standing relationships with the bank. Some of these meetings resulted in the bank's decision to make charitable contributions that qualify for CRA credit. During the evaluation period, the bank made 80 donations to various organizations totaling \$245

thousand in addition to the CRA qualified grants. These donations fostered relations within the nonprofit community which assisted the bank in understanding community needs. Primary credit needs may be identified as part of the bank's overall lending strategy, or during business development activities. The bank is also part of the Grand Central and 34<sup>th</sup> Street Partnerships, which are business improvement initiatives in midtown Manhattan.

*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*

DBNY performed limited marketing, much of which was focused on the presence of the bank itself and its commercial depository and lending services – as it is a wholesale bank. However, the bank actively supported several organizations involved in a wide variety of community development programs and services. The bank is often listed within the marketing materials and informational brochures published by these organizations as a result of making charitable contributions.

**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**

According to the bank, the present economic downturn has had a significant negative impact on the bank's ability to originate loans – including those with a community development benefit. Loan demand reduced significantly as customers either did not seek to renew loans and/or paid them off as part of operational strategies to cope with the economy. While the bank continued to strive to increase loan origination volumes, it decided to place a greater emphasis on purchasing community development investments and making donations to organizations that engage in activities and programs designed to benefit local communities and/or provide assistance to lower income individuals.

## 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.