



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

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2012

Institution: Israel Discount Bank of New York
511 Fifth 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 Department of Financial Services concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

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

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

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

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

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

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall CRA Rating: "Outstanding"

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 January 01, 2010 to December 31, 2012. IDBNY is rated "1" indicating an "Outstanding" record of helping to meet community credit needs. This rating is an upgrade from the prior rating of "2," (Satisfactory) based on the prior examination as of December 31, 2009.

This rating is based on the following factors:

Community Development Test: "Outstanding"

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

During the evaluation period, IDBNY originated \$102.1 million in new community development loans, and had \$9.5 million outstanding from prior evaluation periods. Also during the evaluation period, IDBNY made \$2.95 million in new community development investments and had \$21.9 million outstanding from prior evaluation periods. IDBNY made \$232,705 in community development grants

Community Development Loans: "Outstanding"

During the evaluation period, IDBNY originated \$102.1 million in new community development loans, and had \$9.5 million outstanding from prior evaluation periods. Total community development loans increased significantly by 142.6% from prior evaluation period while total assets increased only 5.3% between the two evaluation dates. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Community Development Qualified Investments: "Satisfactory"

During the evaluation period, IDBNY made \$2.95 million in new community development investments, and had \$23.4million outstanding from prior evaluation periods. In addition, the bank made total of \$316 thousand in grants during this evaluation. Total community development investments increased by 8.6% from prior evaluation period. This demonstrated a reasonable level of community development investments over the course of the evaluation period.

Community Development Services: “Satisfactory”

IDBNY demonstrated a reasonable level of community development services over the course of the evaluation period.

Innovative or Complex Practices

IDBNY demonstrated an adequate level of innovative or flexible community development practices.

IDBNY worked with various housing agencies, economic development organizations, and financial intermediaries, and purchased several different types of investments that demonstrated some use of innovative and complex practices

Responsiveness to Credit and Community Development Needs

IDBNY demonstrated an adequate 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:

Israel Discount Bank of New York (“IDBNY”) is a commercial bank headquartered at 511 Fifth Avenue, New York, NY. IDBNY is a wholly owned subsidiary of Discount Bancorp Inc., a Delaware holding company, which in turn is wholly owned by Israel Discount Bank Limited (“IDBL”), one of the largest commercial banks in Israel.

IDBL established a representative office in NYC in 1949 which became a full service branch in 1962. In 1967, IDBL acquired a U.S Bank, Hias Immigrant Bank, and changed the name to IDB Trust Company; this institution’s name was changed in 1979 to IDBNY. IDBNY has offices in New York, California, Florida, and New Jersey; and operates from three regions nationwide. IDBNY provides international services through its offshore Grand Cayman Island Branch; representative offices in Israel, Chile, Mexico, Peru, Uruguay; wholly-owned subsidiaries Discount Bank Latin America (“DBLA”), IDB Capital Corp, IDB Bank’s broker-dealer, IDBNY Realty Inc. Also, the bank operates an International Banking Facility at its main office.

IDBNY primarily focus on providing domestic and international, personal and commercial banking services to its U.S and foreign customers. IDBNY specializes in U.S private banking, international private banking, middle market lending, asset based lending, commercial real estate lending, trademark financing, factoring, and trade finance services. Other services provided include standby letter of credit, cash management, money transfers, safekeeping and custody of securities. IDBNY received the designation of wholesale bank from FDIC in 1998.

As per the Consolidated Report of Condition (the Call Report) as of December 31, 2012, filed with the Federal Deposit Insurance Corporation (“FDIC”), IDBNY reported total assets of \$10.0 billion, of which \$4.1 billion were net loans and lease finance receivables. It also reported total deposits of \$7.6 billion of which \$5.4 million were held in domestic offices and \$2.1 billion in foreign offices, resulting in a loan-to-deposit ratio of 54.4%. According to the latest available comparative deposit data as of June 30, 2012, IDBNY obtained a market share of 0.54%, or \$4.2 billion in a deposit market of \$784.3 billion, ranking it 16th among 119 deposit-taking institutions in its assessment area.

The following is a summary of IDBNY’s loan portfolio, based on Schedule RC-C¹ of the Call Reports ended December 31, 2010, 2011 and 2012 covered by the current evaluation period.

¹ Total Gross Loans outstanding should be the amount as indicated on Lines 1 through 10.

| TOTAL GROSS LOANS OUTSTANDING | | | | | | |
|-------------------------------------|------------|-------|------------|-------|------------|-------|
| Loan type | 12/31/2010 | | 12/31/2011 | | 12/31/2012 | |
| | \$000's | % | \$000's | % | \$000's | % |
| Real estate loans | | | | | | |
| 1-4 family residential mortgage | 8,676 | 0.2 | 9,850 | 0.3 | 7,053 | 0.2 |
| Commercial Mortgage | 762,776 | 20.9 | 742,340 | 20.8 | 811,503 | 21.7 |
| Multifamily (5 or more) | 86,286 | 2.4 | 79,123 | 2.2 | 57,307 | 1.5 |
| Construction Loans | 90,994 | 2.5 | 86,212 | 2.4 | 80,984 | 2.2 |
| Farmland Loans | - | 0.0 | 24,050 | 0.7 | 21,550 | 0.6 |
| Commercial & Industrial | 2,198,176 | 60.3 | 2,082,759 | 58.4 | 2,070,827 | 55.4 |
| Consumer Loans | 52,990 | 1.5 | 42,790 | 1.2 | 16,832 | 0.5 |
| Other loans | | | | | | |
| Loans to banks in foreign countries | 10,000 | 0.3 | 45,437 | 1.3 | 35,360 | 0.9 |
| Loans to nondepository Institutions | 66,175 | 1.8 | 270,825 | 7.6 | 337,410 | 9.0 |
| All Other Loans | 351,532 | 9.6 | 171,293 | 4.8 | 300,374 | 8.0 |
| Lease Financing | 20,575 | 0.6 | 9,552 | 0.3 | - | 0.0 |
| Total Gross Loans | 3,648,180 | 100.0 | 3,564,231 | 100.0 | 3,739,200 | 100.0 |

As illustrated in the above chart, IDBNY primarily engages in commercial lending, with 77.1% of its loan portfolio in commercial mortgages, and commercial and industrial loans.

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

Assessment Area:

IDBNY's New York assessment area is comprised of the five boroughs of New York City: Bronx, Kings, New York, Queens and Richmond counties.

There are 2,168 census tracts in the area, of which 292 are low-income, 578 are moderate-income, 654 are middle-income, 580 are upper-income and 64 are tracts with no income indicated.

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

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

Demographic & Economic Data

Population and Income characteristics

The assessment area had a population of 8.2 million as indicated in the US 2010 Census report. About 11.9% of the population were over the age of 65 and 19.1% were under the age of 16.

Of the 1.8 million families in the assessment area, 22.3% were low-income, 16.6% were moderate-income, 20.4% were middle-income and 40.8% were upper-income families. There were 3.0 million households in the assessment area, of which 18.1% had income below the poverty level and 4.1% were on public assistance.

Median family income within the assessment area was \$65,513 in 2012. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income for the area was \$68,300 in 2012.

Housing Characteristics

There were 3.3 million housing units within the assessment area, of which 40.1% were one- to four-family units, and 59.9% were multi-family units. Renter-occupied housing units represented majority of the area's housing units at 61% while 30.1% were owner-occupied units.

Of the 2.0 million renter-occupied housing units, 53.1% were in low- and moderate-income census tracts while 46.9% were in middle- and upper-income census tracts. Average monthly gross rent was \$1,123.

On the other hand, only 20.5% of owner-occupied housing units were in low- and moderate-income census tracts while 79.5% were in middle- and upper-income census tracts. The median age of the housing stock was 67 years and the median home value in the assessment area was \$526,503.

Business Demographics

There were 715,285 non-farm businesses in the assessment area. Of these, 70.7% were businesses with reported revenues of less than or equal to \$1 million, 5% reported revenues of more than \$1 million and 24.3% did not report their revenues. Of all the non-farm businesses in the assessment area, 76.4% were businesses with less than fifty employees while 94.6% operated from a single location. The largest industries in the area were services industry (43.6%), followed by retail trade (14.2%) and finance, insurance and real estate industry (8.3%), while 17.1% of businesses in the assessment area were not classified.

NYS Department of Labor Unemployment Rates

Statistics published by the New York State Department of Labor showed that unemployment in New York State remains high at 8.5% after three years of tepid recovery from the recession of 2008 - 2009. The statewide unemployment rate has been around eight percent for the past four years, far higher than the pre-recession level of 5.4%.

In IDBNY's assessment area, the highest unemployment rates were in Bronx at 12.7% followed by Kings (Brooklyn) at 9.9% while New York County had the lowest rate at 7.7%. Richmond and Queens Counties' rates at 8.5% and 8.3% were at par and slightly lower than the statewide average respectively.

| Assessment Area Unemployment Rate | | | | | | |
|------------------------------------------|-----------|--------|--------|-------|--------|----------|
| | Statewide | Bronx | Kings | NY | Queens | Richmond |
| 2008 | 5.40% | 7.40% | 5.90% | 4.80% | 4.90% | 5.00% |
| 2009 | 8.40% | 11.90% | 9.80% | 8.40% | 8.30% | 8.10% |
| 2010 | 8.60% | 12.70% | 10.30% | 8.10% | 8.70% | 8.80% |
| 2011 | 8.30% | 12.30% | 9.70% | 7.40% | 8.10% | 8.20% |
| 2012 | 8.50% | 12.70% | 9.90% | 7.70% | 8.30% | 8.50% |

Community Contact

A non-profit mental health and social service agency, located in Brooklyn, was interviewed by examiners. The agency provides for the health and well-being of children and adults, and cares for the poor, the sick, the elderly, and the unemployed through a range of services, programs and resources. The organization was appreciative of the bridge loan originated by IDBNY in anticipation of capital grants from government agencies.

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 are also considered in assessing IDBNY’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 2010, 2011 & 2012.

IDBNY received a rating of “2”, reflecting a “Satisfactory” record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York State Banking Department as of December 31, 2009.

Current CRA Rating: “Outstanding”

Community Development Activities: “Outstanding”

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

During the evaluation period, IDBNY originated \$92.1 million in new community development loans, and had \$9.5 million outstanding from prior evaluation periods. Also during the evaluation period, IDBNY made \$2.95 million in new community development investments and had \$21.9 million outstanding from prior evaluation periods. IDBNY made \$232,705 in community development grants.

During the evaluation period, IDBNY significantly improved its community development activities, with total community development lending and investments including grants increased by almost two-folds. Total asset increased only 5.3% between the two evaluation dates.

A more detailed description of IDBNY's community development activity follows:

Community Development Lending: "Outstanding"

During the evaluation period, IDBNY originated \$92.1 million in new community development loans, and had \$9.5 million outstanding from prior evaluation periods. Total community development loans increased significantly by 142.6% from prior evaluation period while total assets increased only 5.3% between the two evaluation dates. This demonstrated an excellent level of community development lending over the course of the evaluation period.

| Community Development Loans | | | | |
|--------------------------------|------------------------|----------------|--------------------------------------------|--------------|
| Purpose | This Evaluation Period | | Outstandings from Prior Evaluation Periods | |
| | # of Loans | \$000 | # of Loans | \$000 |
| Affordable Housing | 1 | 10,000 | 1 | 7 |
| Economic Development | 3 | 11,000 | 1 | 7,141 |
| Community Services | 9 | 66,590 | 1 | 1,184 |
| Revitalization & Stabilization | 3 | 14,500 | 1 | 1,192 |
| Total | 16 | 102,090 | 4 | 9,524 |

Below are highlights of IDBNY's community development lending:

- IDBNY originated a \$10 million loan to a borrower for purchasing a 38-unit residential apartment building located in a moderate-income census tract area in its assessment area. The property is located in the Greenpoint section of Brooklyn, New York. Greenpoint is largely a working class and multi-ethnic community with approximately 21.75% of the population below the poverty line.
- IDBNY originated \$6.5 million total commitment to a commercial borrower, for the purpose of working capital and to loan to its affiliate to repay an outstanding mortgage on a commercial property. The borrower is an importer and wholesaler of commercial electrical appliances and is located in a designated Empowerment Zone of Bronx, NY. This loan will allow the borrower to retain and create jobs in a low-income census tract.
- In 2012, IDBNY originated an \$8 million loan to a borrower to refinance an approximately 46,000 square feet retail strip center located in Bronx County. The property is situated in a moderate-income census tract, and helps revitalize and stabilize the area by serving and employing local residents, including LMI individuals.

- In 2012, IDBNY originated a \$5 million loan to the New York Foundling Hospital (“NYF”) to refinance four residential care properties at a lower interest rate. NYF is a large provider of social services, offering an expansive array of services for underserved children, families, and adults with developmental disabilities in IDBNY’s assessment area.

Community Development Investments: “Satisfactory”

During the evaluation period, IDBNY made \$2.95 million in new community development investments, and had \$21.9 million outstanding from prior evaluation periods. In addition, IDBNY made a total of \$232,705 in grants during the evaluation period. Total community development investments including grants increased by 8.6% from prior evaluation period. This activity demonstrated a reasonable 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 | 1 | \$ 2,950 | 3 | 9,542 |
| Economic Development | | | 7 | 12,383 |
| Community Services | | | | |
| Total | 1 | \$ 2,950 | 10 | 21,925 |
| | | | | |
| | # of | \$000 | Not Applicable | |
| CD Grants | Grants | | | |
| Affordable Housing | 3 | \$ 26 | | |
| Economic Development | 5 | \$ 12 | | |
| Community Services | 58 | \$ 195 | | |
| Total | 66 | \$ 233 | | |

Below is an example of IDBNY’s community development investments.

In 2012, IDBNY invested \$2.95 million in a special obligation bond of the New York City Housing Development Corporation. The bond proceeds were used to provide a loan to the College of Staten Island Student Housing, LLC for the purpose of building affordable housing in the form of a 133-unit student housing facility to house up to 454 residents located on the campus of the College of Staten Island. A majority of the students at the College of Staten Island receive need-based financial aids and grants.

Grants:

IDBNY made \$232,705 to 28 organizations in its assessment area. Grants were given to organizations that promote affordable housing, community services and economic

development. Grantees included organizations such as Kids in Distress Situations, Inc., Rosie's Theatre for Kids, and Sephardic Bikur Holim Community Services.

Community Development Services: "Satisfactory"

IDBNY demonstrated a reasonable level of community development services over the course of the evaluation period. During the evaluation period, IDBNY officer's spent a total of 951 hours providing financial education and technical assistance to various non-profit organizations. Below is an example of IDBNY's community development services.

- IDBNY employees provided financial education for students of a non-profit performing arts organization dedicated to helping inner-city public school children through programs in dance, music and drama. The organization was founded on the belief that participation in the arts contributes to improved academic achievement, with eighty-six percent of students from low-income families and many must overcome overwhelming life challenges outside of school each day. Topics covered included loan basics with real life examples on the cost of tuition compounded by monthly interest rates, budgeting, and the importance of savings for students, especially for those who seek to work in the arts where a predicable salary is not guaranteed.

Innovative or Complex Practices:

IDBNY demonstrated an adequate level of innovative or flexible community development practices by working with various housing agencies, economic development organizations, and financial intermediaries, and by purchasing various types of investments.

Responsiveness to Credit and Community Development Needs:

IDBNY demonstrated an adequate 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 actively oversee IDBNY's CRA program. The CRA policy is reviewed and approved annually. Training on CRA regulations was provided on 03/07/2012, and updates on the CRA program for IDBNY's Board of Directors were most recently given on 3/05/2013.

Discrimination and other illegal practices

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

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

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

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

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

IDBNY has not opened or closed any branches since the prior evaluation. As a wholesale bank, IDBNY does not offer retail services at its offices.

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.*

IDBNY's ascertainment of community needs efforts is generally performed indirectly through business development activities and involvement in charitable organizations, some of which IDBNY has had long-standing relationships. These meetings may also result in the decision to make charitable contributions and community development investment opportunities.

- *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*

IDBNY performs limited marketing, due to the wholesale nature of business. However, IDBNY actively supports several organizations involved in a wide variety of community development programs and services.

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

DFS noted no other factors.

GLOSSARY

Aggregate Penetration Rate

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

Community Development

“Community development”:

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

Community Development Loan

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

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

Community Development Service

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

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

Geography

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

Home Mortgage Disclosure Act (“HMDA”)

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

Income Level

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

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

Loans to Small Businesses

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

Low or Moderate Income ("LMI") Geographies

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

LMI Borrowers

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

LMI Individuals/Persons

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

LMI Penetration Rate

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

Low-Income Housing Tax Credit (LIHTC)

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

New Markets Tax Credit (NMTC)

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

Qualified Investment

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

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

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