



**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, 2016

**Institution:** Israel Discount Bank of New York  
511 Fifth Ave  
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” or the “Bank”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2016.

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

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

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

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

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

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

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

DFS evaluated IDBNY's performance according to the community development test for wholesale or limited purpose banking institutions pursuant to Part 76.11 of the General Regulations of the Superintendent. The assessment period covered January 1, 2013 through December 31, 2016. IDBNY is rated "1" indicating an "Outstanding" record of helping to meet community credit needs. This rating is the same as the prior rating of "1," based on DFS's Performance Evaluation dated December 31, 2012.

This rating is based on the following factors:

### **Community Development Test:** "Outstanding"

IDBNY community development performance demonstrated an excellent level of responsiveness to the community development needs of its assessment area through a high volume of community development loans, as well as a reasonable level of community development 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 \$232.7 million in new community development loans, and had \$52.9 million in outstanding loans from prior evaluation periods. Also, during the evaluation period, IDBNY made \$14.4 million in new community development investments and had \$13.2 million in investments outstanding from prior evaluation periods. IDBNY made approximately \$355,000 in community development grants during the period.

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

During the evaluation period, IDBNY originated \$232.7 million in new community development loans, and had \$52.9 million in loans outstanding from prior evaluation periods. Total community development lending represented 0.7% of average total assets and increased significantly by 127.9% since the prior evaluation. 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 \$14.4 million in new qualified community development investments, and still had \$13.2 million in investments outstanding from the prior evaluation period. In addition, IDBNY gave a total of \$355,145 in grants during the evaluation period. Total community development investments and grants increased by 11.3% from the prior evaluation and is approximately 0.07% of average total assets and 1.0% of total investments. This demonstrated a reasonable level of community development investments and grants over the course of the evaluation period.

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Community Development Services: "Outstanding"

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

**Innovative or Complex Practices**

IDBNY demonstrated a reasonable level of innovative or flexible community development practices.

**Responsiveness to Credit and Community Development Needs**

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 Banking Law and Part 76 of the General Regulations of the Superintendent.*

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## **PERFORMANCE CONTEXT**

### **Institution Profile**

Israel Discount Bank of New York (“IDBNY”), is a full service commercial bank chartered by the New York State. IDBNY is a subsidiary of Israel Discount Bank Limited, which is headquartered in Tel Aviv, Israel and is one of the largest commercial banks in Israel.

Since the previous evaluation period, IDBNY closed its Grand Cayman branch and opened one branch in Brooklyn, New York. They also opened a loan production office in Long Island, New York. IDBNY operates seven full service branches in four states: Three offices in New York; one office in New Jersey; one office in Florida; and two offices in California.

IDBNY offers a variety of products and services such as: Personal and business accounts; various checking accounts; money market savings accounts; U.S. dollar and foreign currency time deposits; visa credit cards; ATM and debit cards; online banking; traveler’s checks; money orders; direct deposit of social security; and other recurring payments. Other services include: Commercial real estate lending; letters of credit; private banking; time deposits with principal protection; middle-market lending; asset based lending; nonprofit and healthcare lending; money transfers; lockbox facilities; cash management; and safekeeping and custody of securities. Through its affiliates, IDBNY offers an array of non-deposit investment products that are not FDIC-insured.

Per the Consolidated Report of Condition (the “Call Report”), dated December 31, 2016, filed with the Federal Deposit Insurance Corporation (“FDIC”), IDBNY reported total assets of \$9.3 billion, of which \$5.7 billion were net loans and lease financing receivables. It also reported total deposits of \$7.3 billion, resulting in a loan-to-deposit ratio of 78.0%.

According to the latest available comparative deposit data, as of June 30, 2016, IDBNY had a market share of 0.45%, or \$6.3 billion in a market of \$1.4 trillion, ranking it 22<sup>nd</sup> among 144 deposit-taking institutions in its assessment area.

The following is a summary of IDBNY’s loan portfolio, based on Schedule RC-C of the bank’s Call Reports for the years ended December 31, 2013, 2014, 2015 and 2016:

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	2013		2014		2015		2016	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	171,782	4.0	9,810	0.2	12,668	0.2	39,317	0.7
Commercial & Industrial Loans	2,142,949	50.2	2,359,453	48.3	2,560,640	46.6	2,475,327	43.0
Commercial Mortgage Loans	1,084,049	25.4	1,192,653	24.4	1,519,335	27.6	1,619,521	28.1
Multifamily Mortgages	54,786	1.3	36,919	0.8	69,967	1.3	198,877	3.5
Consumer Loans	48,182	1.1	79,493	1.6	102,474	1.9	101,344	1.8
Agricultural Loans	0	0.0	0	0.0	2,397	0.0	1,888	0.0
Construction Loans	94,916	2.2	202,203	4.1	130,367	2.4	149,453	2.6
Loans to foreign governments and official institutions	0	0.0	0	0.0	3,558	0.1	1,186	0.0
Loans to depository intitutions	2,837	0.1	5,483	0.1	4,597	0.1	18,002	0.3
Loans to nondepository financial institutions	349,635	8.2	334,545	6.8	285,428	5.2	276,884	4.8
Loans to banks in foreign countries	26,708	0.6	90,018	1.8	33,536	0.6	0	0.0
All Other Loans	292,379	6.9	578,293	11.8	770,406	14.0	876,745	15.2
Lease financing	0	0.0	0	0.0	1,030	0.0	0	0.0
<b>Total Gross Loans</b>	<b>4,268,223</b>	<b>100.0</b>	<b>4,888,870</b>	<b>100.0</b>	<b>5,496,403</b>	<b>100.0</b>	<b>5,758,544</b>	<b>100.0</b>

As illustrated in the above table IDBNY is primarily a commercial lender, with 71.1% of its loan portfolio in commercial mortgages, and commercial and industrial loans as of December 31, 2016.

*Examiners found no evidence of financial or legal impediments that had an adverse impact on IDBNY's ability to meet the credit needs of its community.*

### **Assessment Area**

Since the prior evaluation period, IDBNY expanded its assessment area and now serves Bronx, Dutchess, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, and Westchester counties.

There are 3,240 census tracts in the assessment area, of which 368 are low-income, 785 are moderate-income, 1,142 are middle-income, 864 are upper-income, and 81 tracts have no income indicated.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	10	143	97	60	29	339	70.8
Dutchess	2	5	12	49	11	79	21.5
Kings	13	125	295	213	115	761	55.2
Nassau	8	9	26	157	84	284	12.3
New York	12	44	61	25	146	288	36.5
Orange	0	5	10	17	47	79	19.0
Putnam	0	0	0	12	7	19	0.0
Queens	26	21	169	314	139	669	28.4
Richmond	3	3	11	33	61	111	12.6
Rockland	0	4	6	10	45	65	15.4
Suffolk	1	4	70	197	51	323	22.9
Westchester	6	5	28	55	129	223	14.8
<b>Total</b>	<b>81</b>	<b>368</b>	<b>785</b>	<b>1,142</b>	<b>864</b>	<b>3,240</b>	<b>35.6</b>

## **Demographic & Economic Data**

### Population and Income Characteristics

The assessment area had a population of 13,038,826 during the evaluation period. About 12.5% of the population were over the age of 65 and 19.8% were under the age of sixteen.

Of the 3,059,295 families in the assessment area, 26.2 % were low-income, 16.9% were moderate-income, 18.3% were middle-income, and 38.6% were upper-income families. There were 4.7 million households in the assessment area, of which 14.1% had income below the poverty level and 3.2% were on public assistance.

The weighted average median family income in the assessment area was \$80,952.

### Housing Characteristics

There were 5,136,249 housing units within the assessment area, of which 55.2% were one-to-four family units, and 44.3% were multifamily units. Most (47.6%) of the area's housing units were rental units, while 43.9% were owner-occupied units.

Of the 2,252,823 owner-occupied housing units, 17.5% were in low- and moderate-income census tracts while 82.4% 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 \$508,984.

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## Business Demographics

There were 865,127 non-farm businesses in the assessment area. Of these, 86.1% were businesses with reported revenues of less than or equal to \$1 million, 6.9% reported revenues of more than \$1 million and 7.0% did not report their revenues. Of all the businesses in the assessment area, 97.0% were businesses with less than fifty employees while 91.4% operated from a single location. The largest industries in the area were services (49.9%), retail trade (14.7%), finance, insurance & real estate (8.9%), and 6.6% of businesses in the assessment area were not classified.

## New York State Department of Labor Unemployment Rates

According to the New York State Department of Labor, the average unemployment rate for New York State in 2016 was 4.8%. During the evaluation period the statewide unemployment rate declined from 7.7% in 2013 to 4.8% in 2016. Unemployment rates for all the counties in IDBNY's assessment area improved each year. Except for Bronx, Kings and Richmond counties, the unemployment rates for each of the other counties in the assessment area were consistently below the statewide average.

Assessment Area Unemployment Rate									
	Statewide	Bronx	Dutchess	Kings	Nassau	New York	Orange	Putnam	Queens
2013	7.7	11.8	6.7	9.4	5.9	7.5	6.8	6.1	7.7
2014	6.3	9.8	5.3	7.6	4.8	6.1	5.5	4.9	6.4
2015	5.3	7.8	4.5	5.9	4.2	4.9	4.7	4.3	5.0
2016	4.8	7.1	4.2	5.3	3.9	4.5	4.3	4.0	4.5

Assessment Area Unemployment Rate				
	Richmond	Rockland	Suffolk	Westchester
2013	9.0	6.3	6.6	6.2
2014	7.5	5.1	5.4	5.1
2015	5.8	4.5	4.7	4.5
2016	5.2	4.2	4.3	4.2

## Community Information

Examiners interviewed a nonprofit alternative lender that works “outside the margins of conventional finance to bring individuals and communities into the economic mainstream and create financial independence through financial, educational and business development services to give low to moderate income people the resources needed to succeed.” The mission of the organization is to create opportunity and to assist in

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revitalizing and stabilizing low and middle-income geographies, particularly in areas that have been underserved by the mainstream banking community.

According to the contact, there are many opportunities for small businesses and consumers in several areas. However, financial institutions are not addressing consumer credit needs adequately, and most banks are not offering, or offer on a limited scale, home loans and/or other consumer products. In terms of community needs, the contact also indicated that there is a lack of community development credit unions to offer alternative banking, and a lack of a range of housing for persons within varying income levels.

Examiners interviewed another community based nonprofit organization, whose mission is to “promote and protect affordable homeownership in New York.” According to the contact, the organization works with network partners providing resources and referrals to those nonprofit groups, which then offer direct assistance to homeowners. The organization provides funding, up-to-date information, and programs that specifically provide support for foreclosure prevention. As a result, homeowners are connected to free, nonprofit foreclosure prevention experts who can address their needs.

The contact indicated that there is a great need for more affordable loan programs. Houses that are on the market and are affordable may not be accessible to the working individuals; working families are having difficulty buying homes, and working individuals with credit issues are being denied credit. In addition, only those with higher credit scores can take advantage of some of the programs. The cost for new rentals continues to rise, and the demand for affordable housing is extremely high. Regarding seniors, although the senior population may benefit from the reverse mortgage program, they are often the targets for predatory lending and are sometimes scammed or enticed into selling their homes. There is a great community need for local institutions to be more engaged and do more in regard to providing more affordable loan programs and preventing foreclosures.

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## **PERFORMANCE TEST AND ASSESSMENT FACTORS**

*DFS evaluated the CRA performance of wholesale banks pursuant to the “community development test,” as provided in Section 76.11 of the General Regulations of the Superintendent. Performance criteria include (1) the number and amount of community development loans, qualified investments or community development services; (2) the use of innovative or complex qualified investments, community development loans or community development services and the extent to which investments are not routinely provided by private investors; and (3) the banking institution’s responsiveness to credit and community development needs. In addition, the following factors 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; IDBNY’s record of opening and closing offices and providing services at offices; and process factors such as activities to ascertain credit needs; and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.*

The assessment period included calendar years 2013, 2014, 2015 and 2016.

At its **prior** Performance Evaluation as at December 31, 2012 DFS assigned IDBNY a rating of “1,” reflecting an “Outstanding” record of helping to meet community credit needs.

**Current CRA Rating:** “Outstanding”

**Community Development Test:** “Outstanding”

IDBNY community development performance demonstrated an excellent level of responsiveness to the community development needs of its assessment area through community development activities, 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 \$232.7 million in new community development loans, and had \$52.9 million in loans outstanding from prior evaluation periods. Also, during the evaluation period, IDBNY made \$14.4 million in new community development investments and had \$13.2 million in investments outstanding from prior evaluation periods. IDBNY made approximately \$355,000 in community development grants during the period.

IDBNY has an excellent record of responding to the needs of its assessment area, primarily through community development lending activities. While IDBNY’s assets remained relatively constant, there was an increase in its community development activities since the prior evaluation. Total community development lending and

investments amounted to \$313.3 million, of which \$66.2 million were outstanding from prior evaluation periods. This represented an increase of 129.4%. Approximately 78.3% of IDBNY's total lending and investments and grants represented new money during the evaluation period.

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

Community Development Lending: "Outstanding"

During the evaluation period, IDBNY originated \$232.7 million in new community development loans, and had \$52.9 million outstanding from prior evaluation periods. Total community development lending represented 0.7% of average total assets and increased significantly by 128.4% since the prior evaluation. This demonstrated an excellent level of community development lending over the course of the evaluation period.<sup>1</sup>

<b>Community Development Loans</b>				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
Purpose	# of Loans	\$000	# of Loans	\$000
Affordable Housing	1	1,200		
Economic Development	3	15,880		
Community Services	18	163,012	7	45,905
Revitalize and Stabilize	3	52,600	1	7,061
<b>Total</b>	<b>25</b>	<b>232,692</b>	<b>8</b>	<b>52,966</b>

Below are highlights of IDBNY's community development lending:

Community Services

- In 2013 IDBNY originated a \$33.4 million loan to a not-for-profit human service agency whose mission is to support developmentally disabled individuals. The loan was for the acquisition of a 44,779 square-foot office condominium which houses the organization's administrative offices. Services provided by the organization include removing low- and moderate-income individuals from assistance programs such as welfare, as well as providing those who face significant barriers to employment with the skills and opportunities to succeed in the workforce.

<sup>1</sup> For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit.

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- In 2014 IDBNY granted a \$20 million loan to a not-for-profit community hospital to refinance an existing debt and fund the construction of a new care center. Located in a moderate-income census tract, the hospital is a critical provider of care for the underserved population in Suffolk County. In addition, the loan helps expand access to higher levels of health care to the low- and moderate-income population of Brookhaven.
  - In 2015 IDBNY originated \$32.9 million in loans for the expansion of a 302-bed nursing home building located in a moderate-income census tract in Flushing, New York. Most of its patients are Medicaid recipients. IDBNY's extension of credit to the borrower helps low- and moderate-income individuals get access to skilled nursing care.
  - In 2016 IDBNY originated a \$15 million loan to finance the acquisition of a financially distressed nursing home located in a low-income census tract in Bronx County. The facility, a 744 bed and 130 slot medical adult daycare, offers an array of medical treatments and services. Many of its patients are Medicaid recipients. The loan helps low- and moderate-income individuals obtain access to skilled nursing home care.

#### Revitalize and Stabilize

- In 2013 IDBNY originated a \$16 million loan for the acquisition and renovation of an approximately 129,000 square foot property located in a low-income census tract in Bronx County. The property would be used to accommodate major retailers. The loan helps enhance property value, revitalize and stabilize surrounding areas, as well as offering employment opportunities and services to the low- and moderate-income population.
- IDBNY originated a \$3.4 million loan to refinance a 28,300 square-foot mixed-use building located near moderate-income census tracts in Kings County. The existing tenants included retailers that catered to the neighborhood. The loan helps revitalize and stabilize the surrounding moderate-income area by offering employment opportunities and services to residents, which include low- and moderate-income individuals.

#### Economic Development

- In 2015, IDBNY made a \$15 million working capital loan to a business located in a low-income census tract in Bronx County. The borrower provides leases to livery drivers at terms that are more favorable than competitors. The leasing of vehicles at competitive rates creates employment opportunities for low-income drivers, who work as independent contractors.

- IDBNY originated an \$880,000 line of credit to New York Business Development Corp., whose objectives are to assist, promote, and advance the business prosperity and economic welfare of New York State by providing loans to a variety of small businesses, with an emphasis on minority and women-owned businesses. This line of credit assists in economic development by participating in the funding of community-oriented small business loans.

Affordable Housing

- In 2016 IDBNY made a \$6 million loan to finance the construction of an eighteen-unit residential rental building where 20% or \$1.2 million of the loan were qualified as affordable housing. The loan facilitates the construction of affordable housing units reserved for low- and moderate-income individuals.

Community Development Investments: "Satisfactory"

During the evaluation period, IDBNY made \$14.4 million in new qualified community development investments, and had \$13.2 million outstanding from prior evaluation periods. In addition, IDBNY made a total of \$355,145 in grants during the evaluation period. Total community development investments and grants increased by 11.3% from the prior evaluation period and was approximately 0.07% of average total assets. This demonstrated a reasonable level of community development investments and grants 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	3	14,405	5	9,691
Economic Development			2	3,500
Community Services				
Revitalize & Stabilize				
<b>Total</b>	<b>3</b>	<b>14,405</b>	<b>7</b>	<b>13,191</b>
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	3	19		
Economic Development	5	16		
Community Services	7	44		
Revitalize & Stabilize	78	276		
<b>Total</b>	<b>93</b>	<b>355</b>		

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Below is a description of IDBNY's community development investments and grants.

### Investments

IDBNY invested \$14.2 million in three bonds of the State of New York Mortgage Agency. The agency provides low interest mortgages to low- and moderate-income first- time homebuyers throughout New York State, as well as provide financing for the construction, acquisition and/or rehabilitation of affordable housing developments for persons of low or moderate income within New York State.

IDBNY maintains \$1.5 million in a CRA qualified investment fund, which is comprised of various CRA qualified securities. The investment is secured by an affordable rental property for the disabled in New York County, where 98.0% of the units receive Section 8 assistance. The fund also invests in municipal bonds that finance the NYC HDC Mitchell-Lama Program, Low-income Affordable Market Program, and the New Housing Opportunities Program.

### Grants

#### Community Services

- IDBNY contributed \$36,000 to a non-profit community and cultural organization that provides various CRA qualified services to a low- and moderate-income area which borders Harlem. Additionally, the organization provides over \$1.4 million in support for more than 8,000 public school children each year through their education outreach program, which ensures that students, many of whom are from impoverished neighborhoods are exposed to the highest quality art, music and literary opportunities.
- IDBNY contributed \$23,000 to an organization that helps economically disadvantaged students by providing uniforms, books, school supplies, hot meals and transportation vouchers. The program helps children in desperate need of financial support to remain in school. Many students in the organization's programs live below the poverty line and are unable to afford the basic necessities needed to attend school.
- IDBNY contributed \$21,000 to an organization that serves more than 5,100 teachers, students, and their family members at twenty-two schools throughout New York City. The program helps high school students' complete homework assignments, study for exams and prepare for the SATs. Eighty percent of students who participate in the organization's programs are from low-income families.
- IDBNY contributed \$16,000 to an organization that offers an array of services through its four practice areas which are: Education, workforce development,

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occupational health, and economic development. The organization has helped more than 80,000 individuals graduate from high school, obtain vocational certification or a college degree, become work ready, obtain meaningful employment and achieve economic well-being.

### Revitalize and Stabilize

- IDBNY contributed \$23,000 to a not-for-profit organization that promotes economic development and seeks to stabilize and revitalize the Staten Island community. It does this through public and private investment and the development of commercial and industrial property and projects. The organization has introduced over 3,500 jobs into the Staten Island economy.

### Affordable Housing

- IDBNY contributed \$17,000 to an organization that provides affordable housing in the Riverdale section of the Bronx to eligible low-income adults aged sixty-two and up as part of the Department of Housing and Urban Development's Section 202 Housing Program. Additionally, the organization provides health care programs to the elderly such as: Vision care, therapeutic activities, college courses, memory care, and exercise programs for their residents.

### Economic Development

- IDBNY contributed \$13,000 to an organization that advises startup businesses and aids existing businesses in growth or crisis situations. They provide their clients with the tools and support needed to grow and succeed, whether it is to address issues in the current environment, start a business, or find a partner or investor.

### Community Development Services: "Outstanding"

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

Below are highlights of IDBNY's community development services.

IDBNY developed and provided an annual financial literacy program to low-income and moderate-income students attending a nonprofit performing arts organization dedicated to helping inner-city public school children. The organization provides skills development, academic tutoring and college preparation skills. The presentation covered loan basics, effects of compound interest and the real cost of borrowing.

IDBNY is a participant in a corporate work-study program offered through private high schools in New York City. The schools provide access to quality college-preparatory

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education to students from low-income families. The program enables students to directly contribute to the cost of their education while exposing them to the world of work, as well as teaching them valuable business and social skills.

An IDBNY senior vice president provided services to two nonprofit organizations. This person serves as a member of the leadership committee of an organization whose mission is to provide moderate- and low-income children facing adversity in New York City with professionally supported one-to-one mentoring relationships with adults. This person also serves as the co-chair of fundraising for an organization that helps economically disadvantaged students by providing uniforms, books, school supplies, hot meals and transportation vouchers. The program helps children in desperate need of financial support to remain in school. Many of the organization's students live below the poverty line and cannot afford the necessities needed to attend school.

Two members of senior management serve on the board of directors of a social service organization that provides senior citizens with, among others, case assistance services, information and referral services, transportation services, housing assistance, elder abuse programs, crime victims assistance and senior center services.

A member of senior management serves on the loan committee of a nonprofit organization whose core function is to advise start-up businesses and aid existing businesses in growth or crisis situations. Its mission is to provide their clients with the tools and support needed to grow and succeed.

A member of senior management is on the board for an organization whose mission is to promote a vigorous and growing state economy, encourage business investment and job creation, and support diverse, prosperous local economies across New York State through the efficient use of loans, grants, real estate development and other forms of assistance.

### **Innovative Practices**

IDBNY demonstrated a reasonable level of innovative or flexible community development practices in the financing it provides to organizations by purchasing various types of investments and structuring them as loans. IDBNY is an agent and held the lead position in a working capital loan to a livery service company located in a low-income census tract, wherein 24% of the population is below the poverty line and 99% of the population are minorities. IDBNY has developed an innovative work-study program to allow low-income students to receive invaluable work experience and develop business and professional skills.

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

IDBNY demonstrated a reasonable level of responsiveness to credit and community development needs. IDBNY's performance was based on the level of community development lending activities as it reflects the institution's efforts to invest into its community.

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## **Additional Factors**

### **The extent of participation by the banking institution's Board of Directors/Trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the CRA**

IDBNY's board of directors and senior management team actively oversee the CRA Program. Training on CRA regulations was given on September 20, 2016 to the board of directors and updates to the CRA Program were made on June 15, 2016. IDBNY's CRA Program and CRA Assessment and Community Development Activity Plan are reviewed and approved annually by 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.*

DFS examiners did not note evidence that IDBNY used any practices intended to discourage applications for the types of credit offered by IDBNY.

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

DFS examiners did not note evidence of prohibited discriminatory or other illegal practices.

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

Since the prior evaluation IDBNY opened a representative, loan production office in Long Island, New York and a full-service branch in Brooklyn, New York. Additionally, IDBNY closed its branch office in Grand Cayman Island. 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 credit needs is generally performed indirectly through business development activities and involvement in charitable organizations with which IDBNY has had long-standing relationships. Credit needs are also

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identified as part of IDBNY's overall lending strategy for loan portfolio mix and growth.

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

As a wholesale bank, IDBNY does limited marketing, and relies on its providing of commercial depository and lending services. IDBNY actively supports several organizations involved in a wide variety of community development programs and services. IDBNY is often listed within the marketing materials and informational brochures published by these organizations because of its charitable contributions.

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

The easing of the negative impact from the economic downturn has improved IDBNY's ability to originate loans, including those benefiting the low- and moderate-income individuals and communities IDBNY serves. Due to its increase in the number and dollar value of community development lending, IDBNY decided to hold its community development investments steady, while continuing to make donations to organizations that engage in activities and programs designed to benefit local communities and/or aid low-income individuals and communities. Furthermore, members of IDBNY's staff continue to volunteer their time and expertise to a wide variety of such organizations.

## GLOSSARY

### Aggregate Penetration Rate

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

### Community Development

“Community development”:

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

### Community Development Loan

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

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

## **Community Development Service**

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

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

## **Geography**

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

## **Home Mortgage Disclosure Act (“HMDA”)**

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

## **Income Level**

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

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

## **Small Business Loan**

A small business loan is a loan less than or equal to \$1 million.

## **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.