



**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: Goldman Sachs Bank USA
200 West Street
New York, NY 10281

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 Goldman Sachs Bank USA (“GS Bank”) 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 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 CRA 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 (collectively, the “Evaluation”) be made available to the public. Evaluations of banking institutions are based primarily 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.

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall CRA Rating: "Outstanding"

GS Bank'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 covers calendar years 2011 and 2012. GS Bank 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" ("Outstanding") based on the New York State Banking Department's (now New York State Department of Financial Services) Performance Evaluation dated December 31, 2010.

This rating is based on the following factors:

Community Development Test: "Outstanding"

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

GS Bank increased its overall CRA activities by expanding its community development products, increasing its focus on meeting the needs of its assessment areas and continuing to provide innovative and complex financing deals and services.

Community Development Loans: "Outstanding"

During the evaluation period, GS Bank originated \$578.8 million in new community development loans, and still had \$124.1 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

The level of new community development loans increased significantly by 46.1% over the prior period.

Community Development Qualified Investments: "Outstanding"

During the evaluation period, GS Bank made \$384.4 million in new qualified community development investments, including grants, and still had \$148.9 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development investments over the course of the evaluation period.

The investment portfolio increased by 41.6% over the prior period and consisted of direct equity investments which are considered innovative and complex. The level of

grants contributed to Superstorm Sandy disaster recovery efforts demonstrates GS Bank's ability to respond swiftly to new needs that merge in the communities it serves.

Community Development Services: "Outstanding"

GS Bank demonstrated an excellent level of community development services over the course of the evaluation period. Community development services consisted of board memberships in organizations that are leaders in affordable housing and other community development activities, as well as providing leadership and technical assistance to key initiatives. It was also focused on supporting small business entrepreneurs.

Innovative or Complex Practices

GS Bank demonstrated an excellent level of innovative and complex community development practices.

Responsiveness to Credit and Community Development Needs

GS Bank demonstrated an excellent 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:

GS Bank was established as a New York State chartered bank on November 28, 2008, and is a member of the Federal Reserve System. GS Bank is a direct wholly owned subsidiary of the Goldman Sachs Group, Inc., formed as a result of a reorganization of the Goldman Sachs Trust Company, a New York state chartered, limited purpose trust company, GS Trust Goldman Sachs Capital Markets, LP, a Delaware limited partnership, Goldman Sachs Capital Markets, L.L.C., a Delaware limited liability company and the former Goldman Sachs Bank USA, a Utah state chartered industrial bank.

GS Bank currently has two branches, the principal office at 200 West Street in New York City and a branch in Salt Lake City, Utah. Neither branch offers traditional retail banking services.

GS Bank received wholesale bank status for CRA purposes from the Federal Reserve Bank of New York on July 9, 2009. GS Bank is examined under the Community Development test which reviews the bank's community development loans, investments, grants and service activities, including eligible activities made by its affiliates. GS Bank's assessment areas cover the five boroughs of New York City plus two Northern New Jersey counties and the Salt Lake Metropolitan Statistical Area of Utah. DFS uses the New York City assessment area for its evaluation of GS Bank's CRA performance.

GS Bank's primary products include agency lending, corporate loans, derivatives and community development loans and investments.

As per the Consolidated Report of Condition (the Call Report) as of December 31, 2012, GS Bank reported total assets of \$118.5 billion, of which \$14.7 billion were net loans. Major asset components were interest bearing balances due from depository institutions of \$59.3 billion and trading assets of \$36.9 billion. It also reported total liabilities of \$97.8 billion, which included domestic deposits of \$66.2 billion.

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

TOTAL GROSS LOANS OUTSTANDING				
Loan type	12/31/2011		12/31/2012	
	\$000's	%	\$000's	%
Real estate loans				
1-4 family residential mortgages	1,371,000	11.4	1,868,000	12.7
Commercial Mortgages	315,000	2.6	1,590,000	10.8
Multifamily (5 or more)	168,000	1.4	147,000	1.0
Construction Loans	23,000	0.2	52,000	0.4
Commercial & Industrial	3,942,000	32.9	4,939,000	33.5
Consumer Loans	380,000	3.2	464,000	3.1
Other loans				
Loans to nondepository Fin. Insts.	4,313,000	36.0	2,751,000	18.7
All Other Loans	1,463,000	12.2	2,931,000	19.9
Total Gross Loans	11,975,000	100.0	14,742,000	100.0

As a wholesale bank, GS Bank does not directly originate retail consumer loans or small business loans other than to accommodate high net worth clients and/or employees.

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

Assessment Area:

GS Bank's CRA assessment area includes the following geographies:

1) Multi-State MSA 35620, the NY-NJ assessment area, includes counties from two Metropolitan Divisions:

- MD 35644 (New York-Wayne-White Plains, NY-NJ Metropolitan Division) consisting of Hudson County in New Jersey and Bronx, Kings, New York, Queens, and Richmond Counties in New York
- MD 35084 (Newark-Union, NJ-PA Metropolitan Division) consisting of Essex County in New Jersey

2) MSA 41620, the Salt Lake assessment area, consists of Salt Lake, Summit and Tooele Counties in the state of Utah.

GS Bank's New York assessment area consists of the five boroughs of New York City, including Bronx, Kings, New York, Queens and Richmond counties. There are 2,168 census tracts¹ in the area, of which 292 are low-income, 578 moderate-income, 654 middle-income, 580 upper-income and 64 tracts with no income

¹ Based on 2010 US Census

indicated. Overall, LMI areas represented 40.1% of total census tracts, with the largest concentration in Kings County, with 43.3% of total LMI areas.

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

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

Demographic & Economic Data

Population and Income Characteristics

The New York City assessment area had a population of 8.2 million taken during the 2010 US Census. About 11.9% of the population was over the age of 65 and 19.1% was under the age of 16.

Of the 1.84 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.

The Metropolitan Statistical Area (“MSA”) median family income within the assessment area was \$64,171. The U.S. Department of Housing and Urban Development (“HUD”) estimated median family income for the area was \$68,300 in 2010. Among the five counties, Bronx County had the lowest median family income at \$42,639 while New York (Manhattan) had the highest at \$104,415, followed by Richmond County (Staten Island) at \$83,600.

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.

Due to the high cost of homeownership in NYC, rental units dominate the overall housing stock. A majority (61.0%) of the area's housing units were renter-occupied, while 30.1% were owner-occupied. Of the 2.0 million renter-occupied housing units, 53.1% were in low to moderate-income geographies while 23.3% were in middle-income census tracts, and 23.5% were in upper income census tracts.

Of the 1.0 million owner occupied housing units, 20.5% were in low to moderate-income census tracts; 33.6% were in middle-income census tracts; and 45.9% were in 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, 5.0% reported revenues of more than \$1 million and 24.3% did not report their revenues. Major industries in the area were services (43.6%), followed by the retail trade industry (14.2%) and finance, insurance and real estate (8.3%), while 17.1% of businesses in the assessment area were not classified.

Of all the businesses in the assessment area, 76.4% were businesses with less than fifty employees and 94.6% operated from a single location. Most small businesses had one to four employees.

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 increased to 8.6% in 2012 from 8.2% during the prior year. This was reflective of similar increases in all five counties in the assessment area. Bronx and Kings Counties' unemployment rates exceeded the state-wide rates in both years, while New York County was below the state-wide rates and Queens and Richmond Counties were on a par with the state-wide rates.

The chart below shows the unemployment rates in the five counties comprising the New York City Region during the evaluation period.

Assessment Area Unemployment Rate						
Year	NYS	Bronx	Kings	New York	Queens	Richmond
2011	8.2%	12.3%	9.7%	7.4%	8.1%	8.2%
2012	8.6%	12.9%	10.2%	7.9%	8.5%	8.7%

Community Information

Community information, including the credit needs in GS Bank's assessment area were obtained from representatives of non-profit organizations, including affordable housing groups serving low income New Yorkers and a federally certified Community Development Financial Institution ("CDFI"), as well as a New York City government agency.

An interview was conducted with the executive director of a non-profit housing developer in New York City, who indicated a need for increased banking services, including free checking accounts, for low-income families. The interviewee commented that most LMI individuals are forced to pay higher fees to check cashers for cashing checks than they would pay to banks if they maintained bank accounts due to the scarcity of bank branches in their communities. The interviewee suggested that financial institutions should open more branches in LMI communities and support development programs by providing grants, construction and permanent loans, as well as providing affordable home ownership programs and loans for those looking to purchase homes.

Other interviews were conducted with the Director of Research and Evaluation and the Deputy Director of Legislative Policy of a New York City government agency. The agency's mission is to educate, empower, and protect New Yorkers with low incomes so that they are able to build assets and make the most of their financial resources. The agency directors identified as a major concern the lack of safe and affordable financial products and services to help LMI households in New York City achieve financial stability. They viewed the mismatch between the products offered by banks and what low-income families really need as a primary deterrent for low-income households to access banks. Instead, low-income households tend to conduct their transactional business with other financial service providers such as check cashers. They further noted that unbanked households are highly concentrated in lower income communities in the Bronx, Brooklyn and Manhattan².

Community contacts commented on the essential need to build, rehabilitate and preserve affordable rental housing for low income residents. The CDFI community contact pointed out the need to provide for the credit needs of small businesses.

The community contacts expressed satisfaction over the level of community development lending and investing made by GS Bank during the evaluation period, as well as the degree of innovativeness GS Bank exhibited in making those loans and investments.

² Report issued by the New York City Department of Consumer Affairs dated February 25, 2010.

PERFORMANCE TEST AND ASSESSMENT FACTORS

The Department of Financial Services (formerly the Banking Department) evaluates the CRA performance of a wholesale or limited purpose banking institution in meeting the credit needs of its assessment area(s) pursuant to the “community development test,” as provided 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 considered in assessing GS Bank’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;*
- 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 covers calendar years 2011 and 2012.

GS Bank received a rating of “1”, reflecting an “Outstanding” record of helping to meet community credit needs in its **prior** Performance Evaluation conducted by the New York State Banking Department as of December 31, 2010.

Current CRA Rating: “Outstanding”

Community Development Test: “Outstanding”

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

During the evaluation period, GS Bank originated \$578.8 million in new community development loans and still had \$124.1 million outstanding from prior evaluation

periods. GS Bank also made \$384.4 million in new community development investments, including grants, and had \$148.9 million outstanding from prior evaluation periods.

GS Bank increased its overall CRA activities by expanding community development products, increasing its focus on meeting the needs of its assessment areas and continuing to provide innovative and complex financing deals and services. The level of new community development loans increased significantly by 46.1% over the prior period. The level of community development investments increased by 41.6%, over the prior period and consisted of direct equity investments which are considered innovative and complex. The level of grants GS Bank contributed to Superstorm Sandy disaster recovery efforts demonstrated its ability to respond swiftly to new needs that emerge in the communities it serves. Grants also increased by 66.6% from the prior period.

GS Bank made \$55.9 million in loans and equity investments in designated disaster areas intended to revitalize and stabilize LMI communities and individuals in the aftermath of Hurricane Katrina.

As a wholesale bank, GS Bank emphasizes direct community development lending while also using intermediaries and fund lending structures to maximize the impact of capital on low income communities.

GS Bank's CRA strategy incorporates the following key elements to meet its CRA objectives:

- Providing early stage financing to fund predevelopment and acquisition costs;
- Financing complex catalytic projects using a "one stop shopping" model by providing debt and equity together;
- Directly lending and investing to finance community development projects;
- Partnering with government entities faced with greater demand for services but fewer resources to finance programs that meet the needs of LMI individuals and neighborhoods;
- Responding immediately to new community development needs as they emerge.

A more detailed description of GS Bank's community development activities follow:

Community Development Lending: "Outstanding"

During the evaluation period, GS Bank originated \$578.8 million in new community development loans, and still had \$124.1 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over

the course of the evaluation period.

The level of new community development loans increased by 46.1% over the \$396.3 million during the prior 25 month evaluation period. The majority of loans (51.8%) were for projects to revitalize and stabilize neighborhoods.

Community Development Loans				
Purpose	This Evaluation Period		Outstanding from Prior Evaluation Period	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	5	116,825	3	18,679
Community Services	8	81,884	2	10,133
Economic Development	6	80,390	1	13,842
Neighborhood Revitalization	17	299,735	8	81,486
Total	36	578,834	14	124,140

Below are highlights of GS Bank's community development lending:

Affordable Housing

In 2012 GS Bank extended a \$41 million standby letter of credit to provide credit enhancement to tax exempt housing bonds issued by the NYC Housing Development Corporation (HDC). The bond proceeds will be used to help finance the acquisition and rehabilitation of 661 affordable housing units and approximately 20,000 square feet of commercial space located in LMI neighborhoods in Harlem (Manhattan), Bronx and Brooklyn in New York City.

- In 2011 GS Bank purchased a \$10.3 million or 80% senior participation in a \$12.9 million loan from the Community Preservation Corporation (CPC) to finance the construction of affordable homes in a middle income census tract in Brooklyn. The project creates single family home ownership opportunities for LMI families with incomes ranging from 71% to 84% of area median income in the East New York neighborhood of Brooklyn.

Economic Development

- In 2012 GS Bank extended a \$41 million loan to a corporation that is operating New York City's bicycle share program. The proceeds of the loan are being used to finance the design, building, operation, maintenance and marketing of the program, which includes a network of approximately 7,000 publicly available bicycles in a self-service bicycle share program in New York City. Approximately 70 people were employed to assemble the bicycles and stations during the launch of the program, and approximately 130 people, of whom over 90% will be

LMI individuals, will be employed to operate the program thereafter.

- GS Bank, in partnership with the New York Business Development Corporation (NYBDC), provided \$5 million to help create an Emergency Loan Fund to be administered by NYBDC. The Fund will provide New York City-based small businesses impacted by flooding or power outages in the aftermath of Superstorm Sandy, with below market rate loans of \$5,000 to \$25,000 to enable them to re-establish operations and/or cover losses associated with the hurricane.

Community Services

- GS Bank extended loans totaling \$30.4 million to a non-profit organization (NPO) that is one of New York City's original settlement houses to finance the gut renovation of its 100-year old historic headquarters in lower Manhattan. The renovation will transform its deteriorating community service facility to optimize space for programming and to allow it to increase the services that it provides. Among the programs it currently operates are: early education programs; youth development and education programs; education and wellness programs targeted to adults and seniors; and outpatient drug treatment and prevention, and other counseling services. Approximately 85% of the individuals served by the programs are low-income.
- GS Bank extended loans totaling \$31.6 million to a network of federally qualified community health centers that provides healthcare services to medically underserved communities in New York City to finance the construction of a new healthcare facility in the South Bronx, and to refinance existing debt. The new healthcare facility is located in a low-income census tract adjacent to the organization's headquarters, designated by the Health Resources and Services Administration as Medically Underserved, and is expected to expand the range of affordable healthcare services in the community.
- GS Bank made a \$9.6 million Social Impact Loan (often referred to as Social Impact Bonds) to a non-profit intermediary to fund a program designed to provide therapeutic services and group counseling to 16-18 year olds incarcerated on Rikers Island in an effort to reduce recidivism. This Social Impact Loan is an attempt to change the way public programs are financed by using capital market solutions to address complex social issues and saving taxpayer dollars.

Neighborhood Revitalization

- GS Bank provided \$37.2 million to finance the redevelopment of a site located in a moderate-income census tract in Central Harlem. The redeveloped site will contribute to the ongoing revitalization of Central Harlem by providing high quality mixed income housing, new space for a community church, and an improved

space for a neighborhood grocery. The project will also provide affordable housing for LMI households.

- GS Bank provided \$64.7 million in construction and bridge loans to finance a project in a moderate-income census tract in downtown Brooklyn that will implement major objectives of the 2004 Downtown Brooklyn Plan and the Mayor's Five Borough Economic Opportunity Plan including affordable housing and streetscape improvements. The project will create over 3,000 jobs and will provide food market, grocery store and restaurant options to an area with limited access to healthy food.

Community Development Investments: "Outstanding"

During the evaluation period, GS Bank made \$384.4 million in new qualified community development investments including grants, and still had \$149 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development investments over the course of the evaluation period.

The level of community development investments increased by \$156.8 million or 41.6% compared to the prior period. The investment portfolio consisted of innovative and complex direct equity investments. The level of grants contributed to disaster recovery efforts for those affected by the aftermath of Superstorm Sandy demonstrates GS Bank's ability to respond swiftly to new needs. Total grants totaled \$44.6 million, an increase of 66.6% over the prior period.

During the evaluation period, investments were made in capital or equity contributions to entities involved or created in connection with community development projects. Approximately 50% of equity investments, including those outstanding from the prior period, were in Low Income Housing Tax Credits ("LIHTC"); approximately 36% in New Market Tax Credits ("NMTC"); and the remainder in other equity investments.

Community Development Investments and Grants				
	This Evaluation Period		Outstanding from Prior Evaluation Periods	
CD Investments	# of Inv.	\$000	# of Inv.	\$000
Affordable Housing	7	\$ 112,936	10	87,381
Economic Development	3	\$ 28,886	1	4,737
Community Services	4	\$ 44,314	2	7,260
Neighborhood Revitalization	14	\$ 153,641	8	49,583
Total	28	\$ 339,777	21	148,961
CD Grants	# of Grants	\$000	<i>Not Applicable</i>	
Affordable Housing	5	\$ 641		
Economic Development	8	\$ 6,126		
Community Services	126	\$ 34,698		
Neighborhood Revitalization	26	\$ 3,173		
Total	165	\$ 44,638		

Below are highlights of GS Bank's community development investments and grants.

Affordable Housing

- GS Bank provided \$25 million in LIHTC equity to finance the acquisition and revitalization of a 661 unit portfolio of existing mixed-use rental buildings in New York City. A standby letter of credit enhancement was also extended, as noted in the Community Development Lending Section of this Evaluation.
- GS Bank provided an \$18 million LIHTC equity investment to finance the acquisition and rehabilitation of a 267 unit affordable housing project in a low-income census tract in the Bedford-Stuyvesant neighborhood of Brooklyn. All housing units are restricted to families earning up to 60% of area median income.

Economic Development

- GS Bank provided a \$3.4 million NMTC equity investment to a non-profit theater company in Manhattan that meets the SBA size eligibility standards for a small business. The project will finance a small business that creates jobs for LMI individuals and will create 350 construction jobs and 133 permanent jobs (of which 130 will be for LMI individuals).
- GS Bank provided \$15 million in NMTC equity to a yogurt manufacturer to finance the expansion and equipping of its yogurt manufacturing facility in Upstate NY. The expanded facility is expected to double the production capacity

and create hundreds of jobs for an economically disadvantaged community.

Community Services

- GS Bank made a \$5.1 million NMTC equity investment, as well as a loan, to assist in the construction and permanent financing of a community center located in a low-income census tract in the Bronx. The NPO that will operate the center provides a number of community programs including college counseling, youth programming and after school activities. The center will give the NPO a central location from which to operate the community programs.
- GS Bank purchased \$15 million in mandatorily-convertible non-voting preferred stock issued by a minority-owned community bank with branches located primarily in LMI neighborhoods in Harlem, Brooklyn and Queens. The funds were used to strengthen the bank's capital base to withstand potential future losses and expand new business lines. The community bank provides financial services to under-banked LMI individuals in New York City, and finances a range of real estate projects and small businesses.

Neighborhood Revitalization

- GS Bank made a \$7.6 million NMTC equity investment to finance the acquisition and renovation of an existing storage facility into a mixed-use commercial space in the Crown Heights section of Brooklyn. The project is expected to create 150 to 200 construction jobs and 400 permanent jobs. In addition, it is expected to act as an anchor for future development and investment in Crown Heights.

Grants

- Through its "10,000 Small Business Program", GS Bank helps entrepreneurs create jobs and economic opportunity by providing them with greater access to education, financial capital and business support services. As part of this Program, GS Bank has contributed approximately \$31 million to various colleges and learning centers throughout the United States to provide business and management education to participating small businesses. In NYC, GS Bank contributed \$3.6 million to a community college partner in Queens and \$1.9 million to a CDFI granting loans to small businesses.
- GS Bank contributed over \$10 million to a Harlem based community organization established in 1970 to improve the lives of the poor children and families it serves in Harlem. The range of services, programs, and facilities it supports include parenting workshops, a family development program, a new high quality public charter school, community centers, and an obesity program to help children stay healthy.

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- GS Bank contributed approximately \$3.2 million to a foundation dedicated to fighting poverty in New York by supporting and developing organizations that provide direct service to poor New Yorkers in education; early childhood and youth; jobs and economic security; and survival. The foundation also launched a large-scale relief effort to aid those in areas hardest hit by Superstorm Sandy.
 - GS Bank provided a total of \$3.1 million to several non-profit and community based organizations in the assessment area, to help in the recovery efforts of those affected by Hurricane Sandy.

Community Development Services: “Outstanding”

GS Bank demonstrated an excellent level of community development services over the course of the evaluation period. Community development services consisted of board memberships in organizations that are leaders in affordable housing and other community development activities, as well as providing leadership and technical assistance to key initiatives. GS Bank was also focused on supporting small business entrepreneurs.

Below are highlights of GS Bank’s community development services:

- At least 36 senior officers provided leadership and financial expertise as members of the Board of Directors and Loan Committees of many NPOs, CDFIs and other community development organizations that are leaders in affordable housing, education, foreclosure prevention, and other community development activities. Listed below are a few examples of these services:
 - A managing director of GS Bank serves as a board member of a leading provider of housing and other services to New York City’s needy individuals through a variety of housing and non-housing programs such as mental health, treatment for addictions, and vocational and elder services. The managing director is also on the Board and the loan committee of a national nonprofit that helps create permanent housing for the homeless.
 - An officer of GS Bank is a member of the advisory board of a NPO that facilitates obtaining affordable housing for LMI people in diverse and thriving communities. A managing director of GS Bank is also on the Board of this organization.
 - A managing director of GS Bank is a member of the Board of Directors of a community based organization in the Bronx, New York City, that provide essential services to underserved residents.

A large number of GS Bank employees participated in many events and seminars including GS Bank's own "10,000 Small Businesses Program" initiative given to small business owners that covered topics such as business development skills and financial management. GS employees engaged extensively in business, legal and leadership clinics, networking events, business coaching and mentoring to small business owners to complement the "10,000 Small Businesses Program". GS Bank employees volunteered their time and financial service expertise to provide one-on-one coaching and feedback to small business owners as they develop plans to grow their businesses.

- GS Bank senior managers provided extensive technical assistance to guide in the development of a new NPO, founded to help preserve and revitalize neighborhoods by acquiring the mortgages of distressed homeowners to support neighborhood stabilization efforts. The NPO will serve as the blueprint model for other similar NPOs across the country.

Innovative or Complex Practices:

GS Bank demonstrated an excellent level of innovative, complex or flexible community development practices. The following are a few examples:

- GS Bank was the first financial institution to participate and invest in a social impact loan in the United States. The concept of the "social impact investing" is to leverage private sector capital to finance public social services.

During the evaluation period, GS Bank made a social impact loan to fund a specialized curriculum providing therapeutic services and group counseling to 16-18 year olds incarcerated on Rikers Island in an attempt to reduce recidivism while saving taxpayer dollars.

- GS Bank utilized both LIHTC and NMTC equity investments, both of which are considered innovative and complex. These equity investments were used in combination with loans and standby letter of credits.
- LIHTC equity investments can involve a great deal of complexity. They can be part of a broader financing structure with many different layers of debt and equity. They often require coordination with several different state and federal housing agencies involved in funding the project. Such investments also require detailed asset monitoring and complex financial reporting to ensure compliance with requirements imposed by the federal tax code for taking the tax credit.
- NMTC equity investments also involve a great deal of complexity due to highly structured legal arrangements involving many parties and entities, and the need for customized underwriting and concessionary features inherent to the program, including subordinated debt, reduced origination fees, higher than standard loan-

to value ratios, lower than standard debt service coverage ratios, and non-traditional collateral.

Responsiveness to Credit and Community Development Needs:

GS Bank demonstrated an excellent level of responsiveness to credit and community development needs. The following are some of its noteworthy CRA activities:

- GS Bank financed mixed-income developments that will provide affordable housing for low-income individuals in neighborhoods anticipated to continue to experience escalating housing costs and where conventional lenders and investors are hesitant to underwrite.
- GS Bank provided pre-development financing for developers who had difficulty securing financing in the current credit environment.
- GS Bank made an equity investment, which provided high-growth companies with seed and early stage capital. The majority of these funds were to be invested in businesses located in LMI communities that create or retain jobs for LMI individuals. While other stages of venture capital have begun to rebound, seed and early stage capital has continued to experience declines since the financial crisis. In 2011, it decreased 48% in terms of dollars and attracted only 3% of total venture capital funds invested.
- GS Bank responded swiftly to new needs that emerged in the aftermath of Superstorm Sandy by providing loans and charitable contributions to assist the recovery efforts of small businesses and low-income residents.

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 of GS Bank actively participate in overseeing the CRA program. The Board of Directors receives regular updates and internal self assessment reports from the Urban Investment Group (UIG) and other Management Committees involved in the review and approval of CRA loans, investments and grants. The Board also reviews the CRA plan, policy and performance at least annually.

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.*

The Department noted no practices that were intended to discourage applications for the types of credit offered by GS Bank.

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

The Department 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

GS Bank has not opened or closed any branches since the prior evaluation. As a wholesale bank, GS Bank 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 it provides.*

GS Bank uses a range of approaches to conduct outreach to ascertain community needs. Outreach efforts, targeted toward identifying and addressing the needs of LMI people and areas, include regular meetings with clients and senior management of housing and economic development agencies in the assessment areas; and participation on boards of directors of local and national non-profit groups, on Loan Committees of CDF that are active in LMI communities, and on advisory boards that are focused on community development issues.

GS Bank also sponsored community development conferences and conducted ad hoc meetings with community advocates and other community representatives. For example, as part of their ongoing dialogue with key community partners, the Bank's Urban Investment Group met with the Executive Director of one of the nation's oldest community development corporations operating in Central Brooklyn to discuss the organization's overall community development plan and its key priorities regarding LMI residents.

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

GS Bank does not conduct any retail level outreach or marketing directly to LMI individuals or geographies. However, GS Bank conducts ongoing dialogue and outreach with an extensive network of community partners that serve LMI geographies to raise awareness of the credit services it offers.

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

GS Bank, having adequately met the community development needs of its assessment area, has also chosen to invest in additional LMI communities outside its assessment area. In addition to its community development loans and investments in New York State and designated disaster areas covered by this report, GS Bank made in excess of \$600 million in additional community development loans and investments in its Utah and New Jersey assessment areas, as well as in other States.

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.

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.

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 (“< = \$ 1MM”).

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 (NMTTC)

The New Markets Tax Credits (NMTTC) 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).

Small Business Loans

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