



**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, 2014

Institution: GOLDMAN SACHS BANK USA
200 WEST STREET
NEW YORK, NY 10282

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.

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context	3
Institution Profile	
Assessment Area	
Demographic & Economic Data	
Community Information	
Performance Tests and Assessment Factors	4
Community Development Test	
Innovative or Complex Practices	
Responsiveness to Credit and Community	
Development Needs	
Additional Factors	
Glossary	5

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 (“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, 2014.

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.

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 Superintendent. The assessment period covered calendar years 2013 and 2014. GS Bank is rated "1" indicating an "Outstanding" record of helping to meet community credit needs. This is the same rating DFS assessed GS Bank as of the prior Performance Evaluation dated December 31, 2012.

This rating is based on the following factors:

Community Development Test: "Outstanding"

GS Bank remained committed to providing an excellent level of responsiveness to the community development needs of its assessment area through community development loans, investments and services.

GS Bank's community reinvestment program is primarily characterized by innovative, flexible and complex financing structures. It consisted of loans and investments designed to meet the most critical community needs, such as early stage financing to enable community development projects off the ground and direct lending and investing in community development projects.

GS Bank maintained an excellent level of community development services during the course of the evaluation period.

Community Development Loans: "Outstanding"

During the evaluation period, GS Bank originated \$218.1 million in new community development loans in New York State, and still had \$227.0 million outstanding from the prior evaluation period. Total community development loans amounted to \$445.1 million; a decrease of 36.7% over the prior evaluation period, attributable primarily to a shift of strategy from making community development loans to making community development investments during the evaluation period. Overall, GS Bank maintained an excellent level of community development lending over the course of the evaluation period and committed to its CRA strategy of using innovative, flexible and complex financing structures to meet community credit needs.

A good number of loans made during the current evaluation period were additional funding for the same projects from the prior evaluation period. These projects provide: one-stop shopping for community developers for debt and equity funding; direct investments for community projects partnering with city and state governments; and pre-development costs which conventional lenders are hesitant to underwrite.

Community Development Investments: “Outstanding”

During the evaluation period, GS Bank made \$420.3 million in new qualified community development investments including grants, and had \$233.8 million investments outstanding from the prior evaluation period. Total qualified investments amounted to \$654.1 million, an increase of 22.7% over the prior evaluation period, demonstrating an excellent level of community development investing over the course of the evaluation period. Investments made to revitalize and stabilize low income communities represented majority (71.3%) of total community development investments.

Most of the grant recipients provided community services to LMI individuals and households and assistance to small businesses in support of GS Bank’s “10,000 Small Businesses” initiative.

Community Development Services: “Outstanding”

GS Bank maintained a strong level of community development services over the course of the evaluation period.

These services consisted of: board memberships in organizations providing various community development services benefitting low-income individuals and communities; technical assistance on complex initiatives such as New Market Tax Credit and Social Impact Bond financing; participation in skills based activities to support community partners; as well as business related education and support services for small business owners.

Innovative or Complex Practices:

GS Bank demonstrated an excellent level of innovative, complex or flexible 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 Banking Law and Part 76 of the General Regulations of the Superintendent.

PERFORMANCE CONTEXT

Institution Profile:

Goldman Sachs Bank USA. (“GS Bank”) was established as a New York State chartered bank on November 28, 2008. A member of the Federal Reserve System and the Federal Deposit Insurance Corporation (“FDIC”), GS Bank currently has two domestic locations: the principal headquarters at 200 West Street, New York City (“NYC”) and a branch in Salt Lake City, Utah. In March 2013, the Financial Services Authority authorized GS Bank to operate a branch in London, United Kingdom.

GS Bank is a wholly-owned subsidiary of The Goldman Sachs Group, Inc. (“GS Group”), a bank holding company regulated by the Board of Governors of the Federal Reserve System. Other subsidiaries of GS Group include Goldman Sachs & Co., a US investment bank regulated by the Securities and Exchange Commission, and Goldman Sachs International, an overseas investment bank based in London.

GS Bank received its wholesale bank designation for CRA purposes on July 9, 2009. The Urban Investment Group (“UIG”), a business unit of GS Bank established in 2001, is responsible for implementing GS Bank’s CRA strategy in transforming distressed communities into sustainable and vibrant neighborhoods and improving access to economic opportunity for low-income individuals.

GS Bank’s primary activities and products include commercial mortgage loan originations; deposit taking through deposit sweep agreements with broker-dealers and brokered deposits; interest rate derivative products and issuance of letters of credit. GS Bank does not engage in traditional retail banking services. GS Bank’s retail services are limited to providing loans and residential mortgages to its high net worth clients. GS Bank’s clients include small and large corporations, financial institutions, investment funds, governments and high net worth individuals.

Per GS Bank’s Consolidated Report of Condition (the “Call Report”) as of December 31, 2014, filed with the FDIC, it reported total assets of \$118.2 billion, of which \$35.9 billion were net loans and lease financing receivables. GS Bank also reported total deposits in domestic offices of \$72.4 billion, resulting in a loan-to-deposit ratio of 49.6%.

Major asset components were interest bearing balances due from depository institutions of \$39.6 billion; net loans and leasing receivables of \$35.9 billion and trading assets of \$27.1 billion, representing 86.8% of total assets. Total reported liabilities were \$96.7 billion, which included deposits in domestic offices of \$72.4 billion.

The following is a summary of GS Bank’s loan portfolio, based on Schedule RC-C of the Call Reports of December 31, 2013 *and* December 31, 2014:

TOTAL GROSS LOANS OUTSTANDING				
Loan Type	12/31/2013		12/31/2014	
	\$000's	%	\$000's	%
Real Estate Loans				
1-4 Family Residential Mortgages	3,258,000	14.3	4,575,000	12.2
Commercial Mortgages	1,782,000	7.8	3,652,000	9.8
Multifamily (5 or more)	196,000	0.9	259,000	0.7
Construction Loans	493,000	2.2	788,000	2.1
Farmland Loans			52,000	0.1
Commercial & Industrial	7,032,000	30.8	10,479,000	28.0
Consumer Loans	780,000	3.4	1,348,000	3.6
Other Loans				
Loans To Nondepository Fin. Insts.	4,281,000	18.7	9,801,000	26.2
All Other Loans	5,028,000	22.0	6,451,000	17.2
Total Gross Loans	22,850,000	100.0	37,405,000	100.0

As illustrated in the above chart, GS Bank's major lending activities as of December 31, 2014 were in commercial and industrial loans (28.0%), and loans to non-depository financial institutions and non-consumer loans (43.4%).

There are no known financial or legal impediments that had an adverse impact on 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) The New York City Multi-State MSA 35620, which includes two Metropolitan Divisions ("MD") with non-New York State geographies:

- MD 35614 (New York-Wayne-White Plains, NY-NJ Metropolitan Division), which includes Hudson County in New Jersey, in addition to Bronx, Kings, New York, Queens, and Richmond Counties in New York.
- MD 35084 (Newark-Union, NJ-PA Metropolitan Division) which consists of Essex County in New Jersey.

2) The Utah assessment area that consists of Salt Lake, Tooele and Summit Counties. GS Bank's New York assessment area consists of NYC's five counties: Bronx, Kings, New York, Queens and Richmond. There are 2,168 census tracts in the area, of which 336 are low-income, 633, are moderate-income, 645 are middle-income, 490 are upper-income and 64 are census tracts in which the income is unknown.

Overall, LMI areas represented 44.7% of total census tracts, 70.8% of Bronx County census tracts, and 55.2 % of Kings County census tracts.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	10	143	97	60	29	339	70.8
Kings	13	125	295	213	115	761	55.2
New York	12	44	61	25	146	288	36.5
Queens	26	21	169	314	139	669	28.4
Richmond	3	3	11	33	61	111	12.6
Total	64	336	633	645	490	2,168	44.7

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

Demographic & Economic Data

Population and Income

The NYC assessment area had a population of 8,175,133 during the examination period. About 11.9% of the population were over the age of 65; 19.1% were under the age of 16 and 80.9% were 16 and older.

Of the 1,842,289 families in the assessment area, 31.8% were low-income, 17.2% were moderate-income, 16.6% were middle-income and 34.4% were upper-income families. By county, the percent of all families that are LMI are: Bronx, 64.4%; Kings, 54.3%; Queens, 43.4%; New York, 40.5% and Richmond, 30.6%.

There were 3,047,249 households in the assessment area, of which 18.1% had income below the poverty level and 4.1% were on public assistance. Bronx County had the greatest number of households with incomes below the poverty level at 27.8%, followed by Kings County at 21.1%.

The weighted average median family income in the assessment area was \$65,513. Bronx and Kings Counties both had weighted average median family incomes significantly lower than the Multi-State MSA. The weighted average median family incomes for these counties were \$42,639 and \$54,363, respectively. New York County had the highest weighted average median family income with an average of \$104,415. Richmond and Queens Counties had \$83,600 and \$64,928, respectively of its average median family income.

Housing Characteristics

There were 3,343,424 housing units in the assessment area, of which 40.1% were one-to four-family units and 59.9% were multifamily units. Approximately 61.0% were renter-occupied, 30.1% were owner-occupied, and 8.9% were vacant housing units.

Of the 2,040,592 renter-occupied housing units, 57.8% were in LMI census tracts, 20.9% in middle-income census tracts, and 21.3% in upper-income census tracts. Average monthly gross rent was \$1,123.

Of the 1,006,657 owner-occupied housing units, 24.5% were in LMI census tracts; 35.4% in middle-income census tracts; and 40.1% in upper-income census tracts. The median age of the housing stock was 69 years, and the median home value in the assessment area was \$526,503.

Business Demographics

There were 566,771 non-farm businesses in the assessment area. Of these, 71.5% were businesses with reported revenues of less than or equal to \$1 million, 5.9% reported revenues of more than \$1 million and 22.6% did not report their revenues. The largest industries in the area were Services at 45.0%, followed by Retail Trade at 15.3% and Finance, Insurance and Real Estate at 9.15%; 13.28% of businesses in the assessment area were not classified.

Of all the businesses in the assessment area, 78.5% were businesses with less than fifty employees, while 92.9% 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 for the last two years was 7%. Bronx County has the highest average unemployment rate at 10.8% followed by Kings with 8.6%. New York County showed the lowest unemployment rate of 6.6%, while Richmond at 7.1% and Queens at 7.5%. Based on the 2010 Census, unemployment rates among NYC's LMI census tracts were as follows: Bronx, 13.2%; New York, 12.7%; Queens, 11.2%; Kings, 10.2% and Richmond, 7.9%.

The chart below shows the unemployment rates in the five Counties of NYC during the evaluation period.

Assessment Area Unemployment Rate						
County	Statewide	Bronx	Kings	New York	Queens	Richmond
2013	7.7	11.8	9.4	7.2	7.8	7.8
2014	6.3	9.8	7.7	6.0	6.4	7.2
Avg (2 yrs.)	7.0	10.8	8.6	6.6	7.1	7.5

Community Information

Community information was obtained from two Community Development Financial Institutions,¹ one non-profit organization that promotes and protects affordable homeownership in NYC, and one coalition of Community Development Corporations engaged in bank reinvestment advocacy for NYC's LMI residents and communities. In addition, GS Bank provided information from its CRA self-assessment.

Based on GS Bank's CRA self-assessment, homeownership in NYC generally is unaffordable to both LMI families and many middle-income families, due to the high purchase price of homes; hence there is substantial demand for but a shortage in supply of affordable rental housing. As a result, the number of homeless people in NYC is high.

A community contact indicated concern that large numbers of affordable housing units built with city and federal subsidies are in danger of becoming market rate within the next few years. In addition, owners of some affordable housing leave their buildings in distressed condition to force their low-income tenants out, so that these owners can increase rents to market rate. Unfortunately, these low-income tenants have to live in poor housing conditions.

The current administration in NYC has pledged to create 200,000 units of affordable homes in the next 10 years, preserve the affordability and quality of existing housing stock, build new affordable housing units and promote homeless and senior housing.

According to the non-profit organization, NYC has more residents in high-risk flood zones than any other city in the United States. A large number of flood zone residents, mostly LMI, live in relatively small owner occupied 1-4 family homes. These residents are still struggling to rebuild and recover from damages on their homes caused by Superstorm Sandy. On top of this, they are facing the additional financial burden of higher flood insurance premiums. A community contact highlighted the need for and importance of economic development as a tool to create a stable employment base for

1 A community development financial institution ("CDFI") is a financial intermediary with community development as its primary mission and can be either a non-profit or a for-profit organization. All CDFIs are certified by the US Department of the Treasury's CDFI Fund. CDFIs were created for the purpose of promoting economic opportunities and community development investments for underserved populations in distressed communities of the United States.

LMI individuals and underserved communities through quality job creation, small business development, and workforce development and placement. The NYC Council released a report in November 2014 entitled “Engines of Opportunity: Reinvigorating NYC’s Manufacturing Zones for the 21st Century” highlighting the importance of NYC’s industrial and manufacturing sector as a source of quality job creation for local residents.

Child care facilities and healthy foods outlets were also mentioned by one of the community contacts as important community needs for banks to help finance.

All of the community contacts acknowledged GS Bank’s significant role in community reinvestment through financing structures that are innovative, flexible and complex as well as their leadership role in many areas of community development, including economic development, supporting projects that increase quality jobs.

PERFORMANCE TEST AND ASSESSMENT FACTORS

DFS evaluates the CRA performance of wholesale banks pursuant to the “community development test,” as provided for in Section 76.11 of the General Regulations of the 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 also were 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; the institution’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 and 2014.

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

Current CRA Rating: “Outstanding”

Community Development Test: “Outstanding”

GS Bank included the activities of its affiliates for DFS’s consideration of GS Bank’s performance under the community development test (lending, investments, grants and services).

GS Bank remained committed to providing an excellent level of responsiveness to the needs and availability of opportunities for community development in its assessment area through community development loans, investments and services.

GS Bank’s community reinvestment program is primarily characterized by innovative, flexible and complex financing structures, consisting of loans and investments, designed to meet the most critical community needs. GS Bank has the following key themes that

drive its CRA strategy:

- Providing early stage financing to fund pre-development and acquisition costs;
- Financing complex, catalytic projects by providing a “one-stop shopping” model for community partners seeking debt and equity funding;
- Providing direct lending and investments in community development projects rather than utilizing passive investments or relying on intermediaries or funds to support community development activities; and
- Partnering with city and state government agencies to understand, support and finance their key community development projects.

A significant number and dollar value of community development loans and investments were made to finance projects to revitalize and stabilize LMI neighborhoods that will not only provide affordable housing, but also stimulate economic growth, attract small retail stores and create jobs for LMI individuals. GS Bank’s projects range from the construction of an outlet center in Staten Island to the renovation of a bus terminal in Washington Heights, New York serving an average 20,000 commuters daily. GS Bank’s total loans and investments for neighborhood revitalization amounted to \$590.2 million or 53.7% of the total amount of CRA-creditable community development loans and investments GS Bank made. In addition, GS Bank made \$32.0 million in community development grants during the current evaluation period.

A more detailed description of GS Bank’s community development activities follows:

Community Development Lending: “Outstanding”

During the evaluation period, GS Bank originated \$218.1 million in new community development loans in New York State; and still had \$227.0 million outstanding from the prior evaluation period, or an overall total of \$445.1 million community development loans.

The volume of community development loans in New York State decreased by 36.7% compared to the prior evaluation period, attributable primarily to a shift of strategy from making community development loans to making community development investments during the evaluation period. GS Bank remained committed to its CRA strategy of making innovative, flexible and complex financing structures to meet the most critical community development needs.

A good number of loans made during the current evaluation period were additional

financing for the existing projects from the prior evaluation period. These existing projects provide one stop shopping for community developers for debt and equity funding for their projects; direct investments to community projects partnering with local and state governments; and pre-development costs, which conventional lenders are hesitant to underwrite.

Community Development Loans				
Purpose	This Evaluation Period		Outstanding from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	2	74,545	1	65,898
Economic Development	1	2,800	2	12,311
Community Services	2	12,500	5	52,472
Revitalize & Stabilize	11	128,254	9	96,315
Total	16	218,099	17	226,996

Highlights of GS Bank’s community development lending are as follows:

Affordable Housing

- GS Bank issued a \$53.5 million letter of credit to provide credit enhancement to tax exempt housing bonds issued by the NYC Housing Development Corporation. The bond proceeds will be used to help finance the acquisition and rehabilitation of 468 residential units in over 50 existing multi-family rental buildings located in LMI areas of the East New York neighborhood of Brooklyn. All 468 units are subject to a regulatory agreement that requires affordability to LMI individuals for at least 30 years.

Economic Development

- GS Bank extended a \$2.8 million loan to a CDFI based in NYC as part of the “10,000 Small Businesses”¹ initiative. The proceeds of the loan will be used to make loans to small construction contractors that have been awarded contracts for recovery work associated with damages from Superstorm Sandy.

1. Launched in 2009, “10,000 Small Businesses” initiative is a \$500 million initiative developed to help small businesses in the United States by providing entrepreneurs with an integrated program of practical business and management education, access to capital and business support services.

Community Services

- GS Bank made an additional \$6.5 million term loan to an existing loan with an outstanding balance of \$22.3 million. The existing loan finances the rehabilitation and transformation of a vacant historic building in a low-income census tract in the Brownsville neighborhood of Brooklyn into mixed-use retail stores and a charter school with 80% of its students receiving free or reduced-price lunch. The additional term loan will allow the charter school to expand and accommodate 800 more low-income children in one of the most distressed neighborhoods in NYC and create 78 permanent jobs in addition to the school's 60 existing employees.
- GS Bank extended a \$6 million term loan to finance improvements to healthcare facilities that serve patients in the low-income Soundview neighborhood of the Bronx. The facilities will provide health services to a medically underserved community that suffered from the closing of a community health center in 2012.

Revitalization and Stabilization

- GS Bank made a \$53.4 million bridge loan to finance the construction of a retail outlet center, upgrade existing commuter parking spaces and construct new parking spaces in a moderate-income area directly adjacent to the Staten Island Ferry Terminal. The Project is expected to create over 1,200 construction jobs and 1,100 permanent jobs, mostly in retail and food-service. Approximately 80% of these jobs are expected to be filled by LMI individuals.
- GS Bank provided an \$8.5 million loan to fund pre-development costs associated with the future development of eight mixed-income, mixed-use buildings in a low-income area in the Crotona Park East/West Farms area of the South Bronx. The five acres of land (17 acres in total) was rezoned from manufacturing use to mixed-use providing new opportunities for redevelopment and economic growth within the area.
- GS Bank provided a \$14.6 million leverage loan to finance the development of a multi-tenant commercial complex in the low-income Melrose neighborhood of the South Bronx. A minority-owned grocery store on the ground floor will expand access to fresh foods in a neighborhood considered a food desert by the NYC Fresh Program. The complex will also include a satellite campus of a local non-profit college serving predominantly low-income working adults and expanding educational opportunities in the Bronx.

Community Development Investments: “Outstanding”

During the evaluation period, GS Bank made \$420.3 million in new qualified community development investments including grants, and still had \$233.8 million investments outstanding from the prior evaluation periods. Total qualified investments amounted to \$654.1 million, an increase of 22.6% over the prior evaluation period, demonstrating an excellent level of community development investments. New investments and grants made to revitalize and stabilize low-income communities represented 71.3% of GS Bank’s total qualified community development investments and grants during this 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	4	88,758	11	123,563
Economic Development			3	10,393
Community Services			6	33,913
Revitalize & Stabilize	12	299,583	16	65,946
Total	16	388,341	36	233,815
CD Grants	# of Grants	\$000	<i>Not Applicable</i>	
Affordable Housing	9	1,125		
Economic Development	6	3,874		
Community Services	177	26,861		
Revitalize & Stabilize	2	115		
Total	194	31,975		

The following are highlights of GS Bank’s community development investments:

Affordable Housing

- GS Bank made a \$31.9 million Low Income Housing Tax Credit (“LIHTC”)² equity investment in a limited liability company to finance the acquisition and rehabilitation of a total of 468 residential units in over 50 existing multi-family rental buildings in the low-income East New York neighborhood of Brooklyn.

2. The Low Income Housing Tax Credit (“LIHTC”) is a subsidy provided directly to developers who build or rehabilitate affordable housing projects. Under Section 42 of the Internal Revenue Code, an investor in LIHTCs can reduce their federal income tax liability dollar for dollar to the full amount of their tax liability. After being awarded an allocation of LIHTCs for a qualifying project, a developer, usually a limited liability company may request bids from investors to be the “LIHTC equity investor” in that project.

Over 400 units are restricted to tenants earning less than 60% of area median income. Additionally, GS Bank provided credit enhancement to the tax exempt housing bonds issued by the NYC Housing Development Corporation to finance this project.

- GS Bank made a \$15.5 million LIHTC and Historic Tax Credit (“HTC”)³ equity investment to finance the rehabilitation and transformation of a former carriage manufacturing facility into a 71-unit low-income and supportive rental housing development in a low-income census tract in Rochester, New York. The once vacant manufacturing site, listed on the National Register of Historic Places, will provide affordable housing to households at or below 50% of area median income.

Revitalization and Stabilization

- GS Bank made a \$17.1 million HTC equity investment to finance the renovation of a complex of three vacant, connected steel buildings located in the Brooklyn Navy Yard (“BNY”), which will be leased to several manufacturing businesses. BNY is a Federal Emergency Management Agency (“FEMA”) disaster area and situated in a census tract eligible for New Markets Tax Credits (“NMTCs”). The residents of the adjacent low-income census tracts were projected to benefit significantly from a revitalized BNY, and the expansion of industrial businesses was projected to create or preserve more than 370 jobs for low-income individuals.
- GS Bank made \$35.9 million equity investments in two limited liability companies, consisting of an \$8 million qualified equity investment as part of a NMTC financing structure and a direct equity investment of \$27.9 million to develop an outlet center in a moderate-income waterfront site adjacent to the Staten Island Ferry Terminal. The funds will be used to construct 320,000 square feet of retail stores and restaurants; upgrade and create new parking spaces. The outlet center will create over 1,200 construction jobs and 1,100 permanent jobs. Approximately 80% of these jobs are expected to be filled by LMI individuals. The outlet center will also transform the waterfront into a tourist attraction and provide retail goods and services to the residents of Staten Island.
- GS Bank made a total of \$11.1 million equity investments in two limited liability companies, consisting of a \$10.34 million NMTC equity investment and a

3. The Historic Tax Credit program (“HTC”) is classified by the IRS as the Rehabilitation Tax Credit which applied to older buildings constructed before 1936 and historic buildings including those listed on the National Register of Historic Places. The HTC offers a dollar-for-dollar reduction in federal income tax liability and is the largest federal program for the rehabilitation of historic buildings. HTCs present a unique investment opportunity for CRA credit under the investment test of the CRA exam when combined with either LIHTCs or NMTC.

\$715,000 direct equity investment to finance the development of a multi-tenant commercial complex in the low-income Melrose neighborhood of the South Bronx. This complex will support the public policy goals of providing fresh food, higher education, economic development and neighborhood revitalization in the South Bronx.

Community Development Grants

A majority of the grants GS Bank made were for community services and economic development purposes (94.3% by number, and 96.1% by dollar value). A majority of the grants for community services benefitted LMI individuals and households, while grants for economic development benefitted small businesses through Goldman Sachs' 10,000 Small Businesses initiative.

The following are a few examples of grants made by GS Bank:

- Contributed over \$400,000 to an organization preventing homelessness in NYC. The organization's mission is to create opportunity for LMI individuals through affordable housing in diverse and thriving communities.
- Provided approximately \$140,000 to a tutoring program in East Harlem that helps students develop academic skills, strength of character and emotional well-being to excel in school and in their communities. The program provides guidance through an array of services including one-to-one tutoring, after school programs and charter schools.
- Contributed over \$3.0 million to a NYC-based organization that provides assistance to New York's poorest neighborhoods. The organization directs the majority of its funding to services benefitting low-income and disadvantaged individuals, including soup kitchens, homeless shelters, schools, job-training programs and other vital services that enhance the lives of New York's neediest people.
- Contributed a total of \$2.9 million to promote economic development through the creation of jobs and economic opportunities. Approximately \$2.8 million was contributed to a community college in Queens to facilitate its mission to educate a highly diverse student population. GS Bank also contributed \$50,000 to a CDFI micro-lender to aid its mission to empower LMI business owners through access to capital and financial education.

-
- Provided \$100,000 to a relief fund helping people and neighborhoods greatly affected by Superstorm Sandy.

Community Development Services: “Outstanding”

GS Bank maintained an excellent level of community development services during the evaluation period.

Community development services consisted of board memberships in organizations providing a range of community development services benefitting low-income individuals and communities, as well as GS Bank’s officers and staff providing technical assistance and sharing their expertise and experience on various aspects of community development activities and complex initiatives such as NMTC-related activities and Social Impact Bond financing.

Further supporting the missions of community partners, GS Bank’s employees provided technical assistance in Community TeamWorks⁴ events in skills-based activities. These activities include assisting low-income individuals, students, veterans and job seeking residents of NYC in developing job skills, resume writing and preparing for job interviews. Also, GS Bank committed to providing practical business management education and support services to small business owners participating in the 10,000 Small Businesses initiative.

The following are the highlights of community development services offered by GS Bank:

- Senior officers from The Goldman Sachs Group, Inc., including its subsidiaries, GS Bank and Goldman Sachs & Co. provided leadership and shared their financial expertise as members of the Board of Directors or Board Committees of New York community based organizations, as well as national organizations that are leaders in affordable housing, education, and other community development activities. In New York State, including national organizations serving New York communities, GS Bank had 47 instances of board memberships. Listed below are a few examples of these services:
 - A partner is a member of the Board of Directors of a poverty fighting organization focused on funding and creating programs and schools. Since its inception more than 25 years ago, the organization has raised more than \$1.95 billion dollars of monetary support, goods and services for soup

4. Community TeamWorks is a global volunteer initiative where GS Group employees work in partnership with local non-profit organizations around the world contributing their expertise and ideas to communities where employees work and live.

kitchens, homeless shelters, schools, job-training programs and other vital services that give New York's most needy residents the tools they need to enable advancement.

- A vice president is a member of the Executive Committee of a collaboration of 17 foundations and financial institutions. The collaboration focuses on the revitalization of distressed NYC communities through grants and technical assistance to selected community development corporations providing services to distressed and high-need NYC neighborhoods.
- A managing director serves on the Board of Directors of a charter school located in a low-income census tract in the Bronx. He is also on the Board of a NYC based non-profit educational institute that provides leadership training to leaders from lower-income communities to master the tools needed to effectively serve their communities.
- A managing director serves on the Board of Directors of a NYC based think tank dedicated to highlighting critical opportunities and challenges facing low-income and working neighborhoods of NYC and providing ideas and realistic solutions to policy makers. The organization works toward this mission by publishing fact-based research reports accessible to a wide range of audiences and holding high-profile policy forums.

The same officer also sits on the Advisory Board of a leading CDFI, providing technical assistance and facilitating financing to its programs. This CDFI focuses on developing quality public charter schools in underserved communities.

- A vice president serves on the Board of Trustees of a community based non-profit organization located in a moderate-income census tract in Brooklyn dedicated to helping children left behind by parents serving time in prison. The organization offers an after-school program and a summer day camp specifically designed to empower these children to break the cycle of intergenerational involvement in the criminal justice system.
- A managing director is a member of the Board of Directors of a community-based organization in the Bronx. This organization helps individuals and families to improve their economic and social well-being through workforce development, homeless services and eviction prevention.
- In 104 instances, including 63 in New York State, senior GS Bank staff members provided technical assistance to community based organizations by sharing their expertise and experience in complex financing structures. For example:

-
- Senior staff members provided training to a NYC coalition group of community development corporations on how to use NMTCs for both commercial and housing developments.
 - In at least 20 instances, senior staff members provided technical assistance to several community groups and community development corporations to understand GS Bank’s approach to financing high-impact social programs such as quality affordable housing, healthcare facilities and the delivery of social and educational services for LMI communities through the issuance of “Social Impact Bonds.”⁵
 - A total of 1,039 GS Bank’s employees (626 in New York) volunteered in 89 Community TeamWorks sponsored events by providing technical assistance and training to a wide range of low-income individuals in GS Bank’s assessment area.
 - In approximately 47 events co-sponsored by various community based organizations, GS Bank’s employees provided technical assistance and training to participants including low-income students and residents, veterans, economically disadvantaged women, immigrants and other job seekers of the community on how to develop job skills, create resumes and prepare for job interviews.
 - During the evaluation period, GS Bank’s staff members conducted multiple one-on-one or group training to the participating small business owners of the 10,000 Small Businesses initiative in further developing their businesses and improving business acumen. The training included one-on-one financial pitch clinics on effective communication of targeted business strategy; networking sessions to strengthen communication skills; and pro-bono legal clinics provided by a team of GS Bank attorneys.

Innovative or Complex Practices:

GS Bank continues to maintain a strong level of innovative, complex and flexible community development practices to meet community credit needs, demonstrated through the following:

- GS Bank used multi-layered debt and equity packages to finance development projects to meet affordable housing needs and revitalization of LMI locations, made complex financing structures to meet specialized underwriting

⁵ GS Bank’s “Social Impact Bond” not only provides investors an opportunity to deploy capital to address a range of pressing social challenges in the U.S. but also risk-adjusted financial returns.

requirements of certain equity investments in coordination with state and city agencies and other co-lenders.

- LIHTC equity investments are complex financing structures as they require coordination with several state and federal housing agencies that will award the tax credit allocation; detailed asset monitoring to ensure compliance with the IRS requirements of taking the tax credit; and financial reporting requirements.
- The NMTC program was enacted in 2000 to spur economic and community development and job creation in low-income communities by attracting private capital. It continues to be an area of significant innovation in community development because of the broad range of businesses and projects that can utilize NMTCs.

An NMTC financing structure, including loans and equity investments, is complex due to the highly structured legal arrangements involving multiple parties and entities. It also involves customized underwriting and concessionary features inherent to the program including subordinated debt, non-traditional collateral, longer-than-standard amortization periods and regulatory and tax requirements to obtain the tax credit allocation.

- GS Bank deploys capital by investing directly to finance community development projects rather than utilizing passive investments which rely on intermediaries or funds to support community development activities.
- GS Bank pioneered the use of Social Impact Bonds, often called “Pay for Success” contracts, structured as loans, to finance high impact social programs. The proceeds of the loan are used to fund a social service that will result in cost savings for the government. For example, GS Bank made a loan to a non-profit organization that provided 16-18 year olds incarcerated on Rikers Island with skills and knowledge necessary for the participants to decrease their likelihood of recidivism.⁶

GS Bank also had three other projects financed by Social Impact Bonds to develop high-quality pre-school programs among 3-4 year olds in low-income and targeted at-risk communities in Salt Lake City, UT and Chicago, IL; and a loan aimed at reducing recidivism in Massachusetts.

6. Recidivism: A chronic tendency towards repetition of criminal or anti-social behavior.

Responsiveness to Credit and Community Development Needs:

GS Bank maintained an excellent level of responsiveness to credit and community development needs demonstrated in the following instances:

- Providing early stage acquisition and pre-development financing which gives opportunity for socially motivated developers to initiate projects for affordable housing and neighborhood revitalization in distressed neighborhoods. The proceeds from a pre-development loan provide liquidity prior to construction when developers face challenges in acquiring capital and getting a project off the ground.
- During the evaluation period, an estimated 5,374 permanent jobs were created on projects through GS Bank's NMTC equity investments or loans.
- GS Bank's 10,000 Small Businesses initiative continues to provide capital, education and business support services to small businesses across the United States, including NYC.
- In three NMTC allocations totaling \$163 million, GS Bank did not charge any fees which allowed borrowers to get the maximum amount of NMTC funding.

Additional Factors

The extent of participation by the banking institution's board of directors or board of 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 provides continuous oversight of GS Bank's CRA program. The board periodically reviews GS Bank's CRA Plan and receives regular updates from GS Bank's UIG.

GS Bank's senior management is also closely involved in monitoring compliance with the CRA program through the Bank's Management Committee. The Head of UIG, aside from reporting directly to GS Bank's Chief Executive Officer, is a member of the Bank's Management Committee.

GS Bank assesses its CRA performance on a regular basis by tracking its volume of activities against its goals and peer benchmarking.

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 did not note any 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*

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

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

GS Bank has not opened or closed any branches since the prior evaluation. As a wholesale bank, GS Bank is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers.

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*

GS Bank conducts a wide range of activities to ascertain the credit needs of its community. Its community outreach strategy focuses on identifying and addressing the needs of LMI people and areas. Its outreach efforts include regular client meetings; participation on advisory boards focusing on community development issues; participation on the boards of local and national non-profit groups; and frequent attendance at, and sponsorship of, community development conferences. Ascertainment efforts also include identifying and responding to the priorities and needs of municipal governments.

- *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*

GS Bank does not conduct any retail-level outreach or marketing directly to LMI individuals or geographies. GS Bank's outreach efforts are conducted through an extensive network of community and development partners that serve LMI geographies to raise awareness of GS Bank's debt and equity products.

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

GS Bank continues to maximize its impact in LMI areas and on individuals as a whole. GS Bank continuously seeks opportunities to provide community revitalizing capital wherever it is needed nationwide.

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 cleanup or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

Community Development Service

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

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

Geography

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

Home Mortgage Disclosure Act (“HMDA”)

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

Income Level

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

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

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.