



NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: June 30, 2008

Institution: BPD Bank
90 Broad Street, 5th Floor
New York, NY 10004

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Banking Department concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of BPD Bank (“BPD”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of June 30, 2008.

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

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

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

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

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall Rating

BPD is rated "1," indicating an outstanding record of helping to meet community credit needs. This rating is based on the following:

- Community development loans and qualified investments totaled \$67.4 million, of which approximately 85.9% constituted new money.
 - Community development loans totaled \$65.8 million.
 - Qualified investments amounted to \$1.6 million, including grants totaling \$342 thousand.
- BPD provided an excellent level of community development services to various organizations that promote community services and economic development.

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's Profile:

BPD, headquartered in New York City, is a New York State-chartered commercial bank established in 1986 under the name of The Dominican Bank. It changed its name to BPD International Bank in 1990, and subsequently to BPD Bank in 2003. BPD is a wholly owned subsidiary of Grupo Popular, S.A., a bank holding company based in the Dominican Republic.

As of June 30, 2008, BPD reported total assets of \$655.9 million, of which \$411.7 million were net loans, representing 62.8% of total assets. Deposits totaled \$520.9 million, of which \$461.0 million were domestic-based.

BPD's only office in New York State is located in downtown Manhattan and provides a wide range of banking services to individuals and corporate clients in the New York City metropolitan area. BPD provides trade-related services via loans and letter of credit arrangements to banks and other entities primarily based in Latin America and the Caribbean.

BPD has not opened or closed any branches in New York State since the prior performance evaluation.

BPD is not in the business of originating or purchasing residential mortgage, housing rehabilitation, home improvement, small business or small farm loans, except as an accommodation to its existing business clients. Accordingly, the Federal Reserve Board of Governors granted BPD the designation as a wholesale institution in February 2004, for the purpose of the CRA evaluation.

BPD received a rating of "1" as of June 30, 2006, reflecting an outstanding record of helping to meet community credit needs at its prior evaluation, conducted by the New York State Banking Department.

There were no financial or legal impediments that would negatively impact BPD's ability to help meet community credit needs.

Assessment Area:

BPD's assessment area is comprised of the Bronx, Kings, New York, Queens, Richmond, Westchester, Nassau and Suffolk counties.

According to the 2000 U.S. Census, there were 3,035 census tracts in the assessment area, of which 34.7% were categorized as low- and moderate-income (LMI) tracts. The assessment area appears reasonable based upon the location of BPD's office. There is no evidence that LMI areas have been arbitrarily excluded.

Details of the Assessment Area

Population

According to the 2000 U.S. Census, the assessment area had a population of 11.7 million, of which approximately 12.3% were over 65 and 21.9% were under 16.

Families/Households

There were 2.8 million families and 4.3 million households in the assessment area. Of the total families, 26.0% were low-income and 16.7% were moderate-income. Approximately 15.8% of the total households had income below the poverty level.

Housing Units

There were 4.5 million housing units in the assessment area, of which approximately 52.7% were 1-4 family and 47.3% were multifamily units. Approximately 40.8% of all the housing units were owner-occupied; 53.6% were rental occupied. The median age of the housing stock was 37 years and the median value was \$244 thousand.

Unemployment Rates

The average unemployment rate in the assessment area was 4.6% in 2007, based on the New York State Department of Labor's average rate for each county. This average rate was slightly higher than the state's rate of 4.5%. Among the eight counties in the assessment area, Bronx County had the highest unemployment rate (6.9%). In contrast, Nassau County enjoyed the lowest rate (3.6%).

Business Demographic Data

According to the 2007 Business Demographic Data, there were approximately 925 thousand businesses in BPD's assessment area. The largest segment was the service industry, which accounted for 37.9% of total businesses in the area. The second largest segment was retail trade (16.2%) and the third was non-classifiable establishments (15.9%).

PERFORMANCE TEST AND ASSESSMENT FACTORS

The Banking Department evaluates the CRA performance of wholesale banks pursuant to the “community development test,” as provided in Section 76.11 of the General Regulations of the Banking Board. Performance criteria may 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 the investments are not routinely provided by private investors; and (3) the banking institution's responsiveness to credit and community development needs.

I. Community Development Test

BPD demonstrates an excellent level of responsiveness to credit and community development needs within its assessment area.

The following table summarizes BPD’s community development loan and investment activity:

Community Development Loans and Qualified Investments						
as of June 30, 2008 (in thousands)						
Type	Loans		Investments		Total	
	\$	%	\$	%	\$	%
Affordable Housing	54,031	82.1	1,171	73.4	55,202	81.9
Community Service	5,570	8.5	162	10.2	5,732	8.5
Economic Development	-	-	203	12.7	203	0.3
Revitalization/ Stabilization	6,175	9.4	59	3.7	6,234	9.3
Total	65,776	100.0	1,595	100.0	67,371	100.0
New Commitment	57,361	87.2	537	33.7	57,899	85.9

During the evaluation period, BPD’s community development loans and qualified investments totaled \$67.3 million, of which 85.9% were new commitments. The vast majority (81.9%) of the funds was used to support affordable housing initiatives. Although the current level of community development loans and qualified investments decreased by 40.7% from that of the prior evaluation, BPD’s efforts were still outstanding given the institution’s asset size.

- **Community Development Lending**

As shown by the above table, BPD extended community development loans totaling \$65.8 million, of which 87.2% represented new commitments.

Examples of BPD's community development lending activity are listed below:

- In January 2008, BPD extended a \$5.3 million loan to Alianza Dominicana ("AD") for the construction of a new headquarter located in Harlem. AD is a not-for-profit community development agency that promotes economic and social development through its comprehensive programs provided to Dominican families living in northern Manhattan.
- In April 2008, BPD provided \$4 million in a \$19.4 million construction loan from the Community Preservation Corporation ("CPC"). This project will receive Section 8 subsidiary contracts covering 463 units in Brooklyn. Section 8 housing is a federal program, which provides housing assistance to low-income individuals. CPC is a lending consortium that makes construction and permanent loans for the creation, rehabilitation and preservation of affordable housing throughout New York State.
- In April 2008, BPD made a loan of \$5.7 million to a real estate developer to create affordable housing units in Brooklyn. This is one of the programs under the sponsorship of the NYC Department of Housing Preservation and Development ("HPD") and the New York State Affordable Housing Corporation ("AHC").
- In 2007, BPD extended a \$2.3 million construction loan to a project sponsored by HPD and the U.S. Department of Housing and Urban Development ("HUD"). This project will rehab five properties into two- and three-family homes for private ownership in Harlem, which is part of a New York Empowerment Zone. Both HUD and HPD strive to stimulate private home ownership in this area.

- **Qualified Investments**

During the evaluation period, BPD had \$1.6 million in qualified investments, including grants totaling \$342 thousand. Approximately one third of the qualified investments were in the form of new money.

Examples of BPD's qualified community development investments are listed below:

- BPD maintains a certificate of deposit ("CD") of \$100 thousand with a Community Development Financial Institution ("CDFI"). The CD is renewable annually. CDFI's have a primary mission of supporting community development activities.
- In 2005, BPD invested in \$2.0 million of collateral trust notes with CPC. The outstanding balance as of the evaluation date was \$1.1 million. This investment type is innovative, for it is not typical in funding nonprofit housing developers. CPC securitizes its loan portfolio and sells the securities as collateralized trust notes ("CTNs").

- **Community Development Services**

BPD provides an excellent level of community development services, given the size of its staff. The bank's senior management and officers provide their banking and financial expertise to various organizations that promote community development initiatives. Some of their services are listed below:

- The President and CEO, among other capacities in which he serves various non-profit organizations, sits on the advisory board of Neighborhood Housing Services ("NHS") of New York City and is the founding chairman of Dominican American College Fund ("DACF"). NHS revitalizes underserved neighborhoods primarily through creating and preserving affordable housing. DACF provides scholarships to the needy Dominican American students.
- A senior vice-president of BPD sits on the boards of several organizations, such as NHS, the Bronx Overall Economic Development Corporation ("BOEDC") and Coalition for the Homeless ("CFH"). In addition, he serves as an advisory board member of the Local Initiative Support Corporation ("LISC").

The BOEDC is a federally-designated agency for economic development in Bronx County. CFH provides a variety of services to meet the needs of the homeless. LISC is a national development intermediary, which helps community development corporations to transform distressed communities into healthy and sustainable ones.

- A vice president of the BPD serves as a vice-chairman of the board of Mid-Bronx Desperados ("MBD"). In addition, he sits on the boards of the Leviticus Fund ("LF") and the Greater Centennial CDC ("GCCDC").

MBD is a non-profit organization located in the Bronx with primary goals of affordable housing development and community revitalization. Since its establishment, MBD has provided over 2,300 housing units to the local residents. LF, located in Westchester County, provides flexible capital and financial services for the development of affordable housing and community facilities in low-income communities. GCCDC, a developer of affordable housing, is a non-profit organization located in Westchester County.

II. Discrimination or Other Illegal Practices

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

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

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance report indicates satisfactory compliance with antidiscrimination or other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

III. Other 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.

BPD ascertains the credit needs of its community through senior management and employee contacts with nonprofit community-based organizations and local government agencies that serve LMI families and neighborhoods. For example, they visit and attend meetings of organizations that are beneficiaries of BPD's funds or community services. These organizations include, but are not limited to, NHS, LISC and BOEDC. They also meet and discuss local affordable housing needs with officials of government agencies, such as HPD.

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.

Since BPD is a wholesale institution, it does not have special marketing programs targeted to the public.

The extent of participation by the banking institution's board of directors in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

No documentation was provided to substantiate the involvement of BPD's board of directors in CRA initiatives during the evaluation period. It is strongly recommended that BPD adequately document the participation of the board in formulating the bank's CRA policies and monitoring its CRA performance.

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.

None.

GLOSSARY

Community Development

The term “community development” is defined to mean:

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

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

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

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

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

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

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

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

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide nonmetropolitan median family income.

LMI Individuals/Persons

Those individuals, 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 nonmetropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

Small Business Loans

Loans to businesses with original amounts of \$1 million or less.

Wholesale Institution

The term “wholesale institution” means a banking institution that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale banking institution by the appropriate Federal regulatory authority is in effect. When evaluating a wholesale institution’s CRA performance, the Banking Department looks primarily at its record of helping to meet the credit needs of its assessment are through community development lending, qualified investments and community development services.