



## **PUBLIC SUMMARY**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION OF HABIB AMERICAN BANK**

**AS OF JUNE 30, 2022**

New York State Department of Financial Services  
Consumer Protection and Financial Enforcement Division  
One State Street, 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 Department of Financial Services concerning the safety and soundness of this financial institution.**

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## **I. - GENERAL INFORMATION**

This document is an evaluation (the “Evaluation”) of the Community Reinvestment Act (“CRA”) performance of Habib American Bank (“HAB” or the “Bank”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This Evaluation represents the Department’s current assessment and rating of the Bank’s CRA performance based on an evaluation conducted as of June 30, 2022.

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 (“GRS”) 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 institutions’ 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 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 Evaluation.

### **II. - OVERVIEW OF INSTITUTION’S PERFORMANCE**

The Department evaluated HAB according to the large banking institutions performance criteria pursuant to Sections 76.7, 76.8, 76.9 and 76.10 of the GRS. The evaluation period included calendar years 2019, 2020, and 2021 for lending activities and the period from April 1, 2019 to June 30, 2022 for the community development activities. The Department assigned HAB a rating of “2”, indicating a “Satisfactory” record of helping to meet community credit needs.

This rating is based on the following factors:

#### **A. Lending Test:** High Satisfactory

HAB’s small business and HMDA-reportable activities were highly satisfactory in light of HAB’s size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area.

##### **1. Lending Activity:** High Satisfactory

HAB’s lending levels were highly satisfactory considering its size, business strategy and financial condition, as well as the activity of its peer group and the demographic characteristics of its assessment area.

The Bank’s overall average loan-to-deposit (“LTD”) ratio for its operations in New York, New Jersey and California was 65.6% for the evaluation period; however, its average LTD ratio for its New York operation (New York loans to New York deposits) was 92.9%, which exceeded the peer group’s LTD ratio of 81.7%.

##### **2. Assessment Area Concentration:** High Satisfactory

During the evaluation period, HAB originated 75.3% by number and 76.1% by dollar value of its total HMDA-reportable and small business lending within its assessment area, demonstrating a highly satisfactory concentration of lending.

The Bank’s lending in its assessment area improved significantly during the three-year evaluation period in terms of both number and dollar value of loans made for both HMDA-reportable and small businesses loans, due in part to the Bank’s expansion of its assessment area.

##### **3. Geographic Distribution of Loans:** Low Satisfactory

HAB’s origination of HMDA-reportable and small business loans in census tracts of varying income levels demonstrated a just satisfactory distribution of lending.

##### **4. Distribution by Borrower Characteristics:** Outstanding

HAB’s small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes.

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The rating of this criterion was based solely on small business lending as the Bank's HMDA-reportable loans were made for investment purposes, for which reporting of borrower income is not required.

### 5. Community Development Lending: High Satisfactory

During the evaluation period, HAB originated \$48.4 million in new community development loans and had \$11.4 million of community development loans outstanding from prior evaluation periods for a total of \$59.8 million. This demonstrated a highly satisfactory level of community development lending over the course of the evaluation period.

### **B. Investment Test:** Low Satisfactory

#### 1. Qualified Investments

During the evaluation period, HAB made \$3.8 million in new qualified investments and had no qualified investments outstanding from prior evaluation periods. In addition, HAB made \$282,733 in qualified grants for a total of \$4.1 million in qualified investments and grants. This demonstrated a just satisfactory level of qualified investments and grants over the course of the evaluation period.

#### 2. Innovativeness of Qualified Investments:

HAB did not make innovative investments to support community development during the evaluation period.

#### 3. Responsiveness of Qualified Investments to Credit and Community Development Needs:

HAB's qualified investments exhibited just satisfactory responsiveness to the assessment area's credit and community development needs.

### **C. Service Test:** Low Satisfactory

#### 1. Retail Banking Services: Low Satisfactory

HAB has a just satisfactory branch network, delivery systems, branch hours and services, and alternative delivery systems including as it relates to LMI individuals.

#### 2. Community Development Services: Low Satisfactory

HAB provided a just satisfactory level of community development services during the evaluation period.

*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 GRS Part 76.*

### **III. - PERFORMANCE CONTEXT**

#### **A. Institution Profile**

Chartered in New York State in 1983, HAB is a privately-owned, full-service commercial bank headquartered at 99 Madison Avenue, New York, NY. The Bank operates branch offices in New York, New Jersey and California, as follows, four branches in New York, two in California and one branch in New Jersey, for a total of seven branch offices.

During the evaluation period, of HAB's four branch offices located in New York, one is in New York County, two in Queens County, and one in Nassau County. Supplementing the branch offices is an automated teller machine ("ATM") network consisting of deposit taking ATMs at each branch location.

HAB specializes in international trade finance and primarily provides trade financing to small and medium-sized businesses. These are typically family-owned businesses that often have less than 15 employees. Although these businesses are in the United States, they import or export goods from countries such as: India, Pakistan, Bangladesh, Sri Lanka and more. In addition, HAB also offers traditional banking services that include online banking, remote deposit capture, online payroll services, VISA debit and credit cards, 24-hour telephone banking and other consumer banking services. HAB also provides correspondent banking services to small and medium financial institutions.

In its Consolidated Report of Condition (the Call Report) as of December 31, 2021, filed with the Federal Deposit Insurance Corporation ("FDIC"), HAB reported total assets of \$1.9 billion, of which \$1.2 billion were net loans and lease financing receivables. It also reported total deposits of \$1.2 billion, resulting in a LTD ratio of 96.6%. According to the latest available comparative deposit data as of June 30, 2021, HAB obtained a market share of .03%, or \$643.5 million in a market of \$1.9 trillion, ranking it 56th among 113 deposit-taking institutions in its assessment area.

The following is a summary of HAB's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2019, 2020 and 2021 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
Loan Type	2019		2020		2021	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	135,815	13.7	168,640	16.1	188,473	16.3
Commercial & Industrial Loans	49,962	5.0	48,415	4.6	40,995	3.5
Commercial Mortgage Loans	718,731	72.5	741,379	70.8	834,933	72.0
Multifamily Mortgages	66,403	6.7	73,471	7.0	83,578	7.2
Consumer Loans	9,092	0.9	8,138	0.8	6,769	0.6
Loans to Bank in Foreign Countries	11,507	1.2	6,702	0.6	4,327	0.4
<b>Total Gross Loans</b>	<b>991,510</b>		<b>1,046,745</b>		<b>1,159,075</b>	

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As illustrated in the above table, HAB is primarily a commercial lender, with 75.5% of its loan portfolio in commercial loans: 72% in commercial mortgage loans and 3.5% in commercial and industrial loans. In addition, the Bank had 16.3% in one-to-four family residential loans made mostly for investment purposes and 7.2% in multifamily mortgages.

*Examiners did not find evidence of financial or legal impediments that had an adverse impact on HAB's ability to meet the credit needs of its community.*

### **B. Assessment Area**

The Bank's assessment area is comprised of the following counties in their entirety: Bronx, Kings, New York, Queens, and Nassau. Prior to October 2019, the Bank's assessment area only comprised parts of New York, Queens and Nassau counties. This change brought a significant increase in census tracts from 505 tracts from the prior evaluation to 2,341 during the current evaluation period, including an improvement of LMI census tracts to 37.7% from 30.1%.

The 2,341 census tracts in the HAB's assessment area consisted of 292 low-income, 590 moderate-income, 773 middle-income, 614 upper-income, while 72 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	7	140	99	60	33	339	70.5
Kings	14	95	260	230	162	761	46.6
New York	15	34	57	21	161	288	31.6
Nassau	9	7	28	159	81	284	12.3
Queens	27	16	146	303	177	669	24.2
Total	72	292	590	773	614	2,341	37.7

### **C. Demographic & Economic Data**

The assessment area had a population of 9,308,874 during the evaluation period. Approximately 13.1% of the population were over the age of 65 and 19% were under the age of 16.

Of the 2,080,435 families in the assessment area, 31.2%% were low-income, 16.5% were moderate-income, 16.5% were middle-income and 35.9% were upper-income. There were 3,388,391 households in the assessment area, of which 18% had income below the poverty level and 3.9% were on public assistance.

The weighted average median family income in the assessment area was \$77,692.

There were 3,711,345 housing units within the assessment area, of which 43.3% were one- to four-family units and 56.5% were multifamily units. A majority of 58.1% of the housing units were rental units, while 33.2% were owner-occupied.

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Of the total 2,157,264 rental-occupied units, 52.2% were in LMI census tracts while 47.5% were in middle- and upper-income census tracts. Average monthly gross rent was \$1,356.

Of the 1,231,127 owner-occupied housing units, 18.1% were in LMI census tracts while 81.7% were in middle- and upper-income census tracts. The median age of the housing stock was 81 years, and the median home value in the assessment area was \$537,033.

There were 1,237,423 non-farm businesses in the assessment area. Of these, 91.5% were businesses with reported revenues of less than or equal to \$1 million, 3.4% reported revenues of more than \$1 million and 5.1% did not report their revenues. Of all the businesses in the assessment area, 97.1% were businesses with less than fifty employees while 95.3% operated from a single location. The largest industries in the area were services (34.6%), retail trade (11.5%) and finance, insurance & real estate (9.6%). A total of 30.3% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State and all counties in the Bank's assessment area increased significantly in 2020 due to the Covid-19 pandemic. Bronx, Kings and Queens counties had higher than statewide average unemployment rates for the evaluation period, while Queens County had a lower average unemployment rate. New York County had the same average unemployment rate as statewide. Bronx County had the highest average unemployment rate for the evaluation period, while Nassau County had the lowest average unemployment rate.

Assessment Area Unemployment Rate						
Year	Statewide	Bronx	Kings	New York	Nassau	Queens
2019	3.8%	5.2%	4.0%	3.4%	3.3%	3.4%
2020	9.9%	16.2%	12.6%	9.6%	8.0%	12.6%
2021	6.9%	13.6%	10.1%	7.6%	4.5%	9.6%
Average of Years above	6.9%	11.7%	8.9%	6.9%	5.3%	8.5%

### **D. Community Information**

DFS examiners conducted community conduct interviews with representatives from two nonprofit organizations headquartered and operating in the Bank's assessment area. The organizations provide assistance to first-time home buyers and small businesses within the assessment area. These community representatives specifically noted the ethnically and linguistically diverse nature of the population in New York City and its large immigrant communities.

One community contact noted that due to cultural and language barriers, immigrant small business owners have difficulty accessing capital even when creating successful businesses. In addition, these individuals are used to interacting face-to-face, but banks are closing their branches and bank personnel do not make themselves available, despite advertising claims to the contrary. In contrast, prospective homeowners potentially receive support from lawyers, brokers, and agents who have a stake in closing a homeowner's loan. However, small businesses are primarily on their own.



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The second community contact noted that this is a challenging time for small businesses. Assistance programs (e.g., the Paycheck Protection Program) were available last year but ended on May 31, 2021. While a number of programs were available even before the pandemic, for businesses owned by minorities and women underwriting standards were not advantageous. To make a larger impact, more relaxed and less traditional underwriting standards will need to be offered. Given the underwhelming response by banks to the needs of these kinds of small businesses, a number of them have turned to online lenders. Some of these lenders charge predatory high interest rates, fail to fully disclose the terms of their loans, require collection daily or every few days, thereby making it difficult for these borrowers to build up the kind of balance sheets and income statements which would allow them to get traditional financing from banks with better interest rates and repayment terms from banks.

To sum up, it was the opinion of the two community contacts that local small businesses need more bank branches, more branch personnel who are willing to reach out and meet face-to-face and underwriting criteria which better reflect their businesses.

### **IV. - PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

The Department evaluated HAB under the large banking institutions performance criteria in accordance with Sections 76.7, 76.8, 76.9 and 76.10 of the GRS, which consist of the lending, investment and service tests. DFS also considered the following factors in assessing the Bank's record of performance:

1. The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;
2. Any practices intended to discourage credit applications;
3. Evidence of prohibited discriminatory or other illegal credit practices;
4. Record of opening and closing offices and providing services at offices; and
5. 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 HAB helps to meet the credit needs of its entire community.

DFS derived statistics employed in this Evaluation from various sources. HAB submitted bank-specific information both as part of the Evaluation process and in its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS obtained LTD ratios from information shown in the Bank's Uniform Bank Performance Report, compiled by the FFIEC from Call Report data.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor.

The evaluation period included calendar years 2019, 2020 and 2021 for lending activities and the period from April 1, 2019 to June 30, 2022 for community development activities.

Examiners considered HAB's small business lending activity in evaluating factors (2), (3), and (4) of the lending test noted below. Examiners considered the Bank's HMDA-reportable loans in evaluating factors (2) and (3) of the lending test; however, HMDA-reportable loans were not considered for factor (4) as they were made to borrowers for investment purposes only, for which reporting of borrower income is not required.

HAB did not make any small farm loans, DFS based all analyses on small business lending only.

HMDA-reportable and small business loan data evaluated in this Evaluation represented actual originations.

Examiners gave greater weight to HAB's small business lending in this evaluation, as it comprised 71.9% by number and 60.4% by dollar amount of the total small business and HMDA-reportable loans made inside the assessment area.

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In its prior Community Reinvestment Act Performance Evaluation as of March 31, 2019, DFS assigned HAB, a rating of “2” or “Satisfactory”.

### **Current CRA Rating: Satisfactory**

#### **A. Lending Test:** High Satisfactory

*The Bank’s lending performance was evaluated pursuant to the following criteria:*

- (1) Lending Activity;*
- (2) Assessment Area Concentration;*
- (3) Geographic Distribution of Loans;*
- (4) Borrower Characteristics;*
- (5) Community Development Lending; and*
- (6) Flexible and/or Innovative Lending Practices.*

The Bank’s small business and HMDA-reportable lending activities were highly satisfactory in light of HAB’s size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area. HAB’s highly satisfactory level of community development lending demonstrates the Bank’s commitment to meet its community credit needs.

#### **1. Lending Activity:** High Satisfactory

HAB’s lending levels were highly satisfactory considering its size, business strategy and financial condition, as well as the activity of its peer group and the demographic characteristics of its assessment area.

HAB’s overall average LTD ratio was 65.6%, considering the Bank’s activities inside and outside of New York State, which trailed the peer group’s ratio of 81.7%. However, the Bank’s average LTD ratio was 92.9% for loans made in New York to New York deposits, which was above the peer group’s ratio of 81.7%. As a result, the Bank’s LTD ratio was considered highly satisfactory.

The table below shows HAB’s overall LTD ratios and New York only LTD ratios in comparison with the peer group’s ratios for the 12 quarters of this evaluation period.

Loan-to-Deposit Ratios													
	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	Avg.
Bank NY only	83.5	87.8	87	92.2	89.9	91.9	98.4	101.6	94.8	97.0	93.2	97.0	92.9
Bank	61.1	61.0	58.3	59.7	66.0	66.4	70.8	63.0	67.0	71.0	70.9	72.5	65.6
Peer	85.9	87.0	86.7	86.6	86.1	85.4	84.6	80.4	77.5	75.2	72.7	72.1	81.7

#### **2. Assessment Area Concentration:** High Satisfactory

During the evaluation period, HAB originated 75.3% by number and 76.1% by dollar value of its

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total HMDA-reportable and small business lending within its assessment area, demonstrating a highly satisfactory concentration of lending.

The Bank's lending in its assessment area improved significantly during the three-year evaluation period by number and amount of loans made for both HMDA-reportable and small business loans, due mainly to the Bank's expansion of its assessment area. The Bank's assessment area consists of Bronx, Kings, New York, Queens and Nassau counties in their entirety compared to the HAB's assessment area during the prior evaluation period which included only parts of New York, Nassau and Queens counties.

### a. HMDA-Reportable Loans

During the evaluation period, HAB originated 66.5% by number and 70.7% by dollar value of its HMDA-reportable loans within the assessment area.

This majority of lending inside of its assessment area reflects a just satisfactory concentration of lending.

### b. Small Business Loans

HAB originated 79.5% by number and 80.1% by dollar value of its small business loans within the assessment area, during the evaluation period.

This majority of lending inside of its assessment area reflects a highly satisfactory concentration of lending.

The following table shows the percentages of the Bank's HMDA-reportable and small business loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>HMDA-Reportable</b>										
2019	14	22.2%	49	77.8%	63	8,963	20.5%	34,708	79.5%	43,671
2020	47	83.9%	9	16.1%	56	40,711	89.8%	4,628	10.2%	45,340
2021	62	93.9%	4	6.1%	66	54,998	93.0%	4,135	7.0%	59,133
Subtotal	123	66.5%	62	33.5%	185	104,672	70.7%	43,471	29.3%	148,144
<b>Small Business</b>										
2019	38	54.3%	32	45.7%	70	13,107	46.9%	14,834	53.1%	27,941
2020	118	83.1%	24	16.9%	142	58,949	82.8%	12,240	17.2%	71,189
2021	158	86.3%	25	13.7%	183	87,905	87.3%	12,760	12.7%	100,665
Subtotal	314	79.5%	81	20.5%	395	159,961	80.1%	39,834	19.9%	199,795
Grand Total	437	75.3%	143	24.7%	580	264,633	76.1%	83,305	23.9%	347,939

### 3. Geographic Distribution of Loans: Low Satisfactory

HAB's origination of HMDA-reportable and small business loans in census tracts of varying income levels demonstrated a just satisfactory distribution of lending.

#### a. HMDA-Reportable Loans

The distribution of HAB's HMDA-reportable loans by the income level of the geography was excellent.

During the evaluation period, the Bank originated 52.8% by number and 55.5% by dollar amount of its HMDA-reportable loans in LMI census tracts, which was well above the aggregate rates of 15.6% and 21.2%, respectively. The Bank's HMDA-reportable lending in LMI census tracts also significantly exceeded the percentage of owner-occupied housing units in each of the three years.

The following table provides a summary of the distribution of the Bank's HMDA-reportable loans by the income level of the geography where the property was located.

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Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2019									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	130	0.6%	123,190	0.7%	0.9%
Moderate	5	35.7%	2,971	33.1%	2,410	11.9%	1,665,350	9.9%	13.4%
LMI	5	35.7%	2,971	33.1%	2,540	12.6%	1,788,540	10.6%	14.3%
Middle	6	42.9%	4,375	48.8%	9,645	47.7%	5,001,005	29.7%	50.2%
Upper	3	21.4%	1,617	18.0%	7,918	39.2%	9,879,730	58.7%	34.9%
Unknown		0.0%		0.0%	112	0.6%	153,300	0.9%	0.7%
<b>Total</b>	<b>14</b>		<b>8,963</b>		<b>20,215</b>		<b>16,822,575</b>		
2020									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	10.6%	5,716	14.0%	4,155	3.5%	4,907,835	5.8%	3.1%
Moderate	22	46.8%	19,375	47.6%	15,586	13.3%	12,998,080	15.2%	15.0%
LMI	27	57.4%	25,091	61.6%	19,741	16.9%	17,905,915	21.0%	18.1%
Middle	14	29.8%	9,518	23.4%	47,558	40.6%	23,262,190	27.3%	41.8%
Upper	6	12.8%	6,102	15.0%	49,544	42.3%	43,944,130	51.5%	39.9%
Unknown	0	0.0%	0	0.0%	230	0.2%	234,960	0.3%	0.2%
<b>Total</b>	<b>47</b>		<b>40,711</b>		<b>117,073</b>		<b>85,347,195</b>		
2021									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	6	9.7%	8,188	14.9%	5,613	3.8%	6,756,775	6.3%	3.1%
Moderate	27	43.5%	21,877	39.8%	21,418	14.4%	17,906,780	16.7%	15.0%
LMI	33	53.2%	30,065	54.7%	27,031	18.2%	24,663,555	23.0%	18.1%
Middle	23	37.1%	16,436	29.9%	57,379	38.7%	29,604,565	27.6%	41.8%
Upper	6	9.7%	8,497	15.4%	63,662	42.9%	52,723,140	49.2%	39.9%
Unknown		0.0%	0	0.0%	289	0.2%	169,045	0.2%	0.2%
<b>Total</b>	<b>62</b>		<b>54,998</b>		<b>148,361</b>		<b>107,160,305</b>		
GRAND TOTAL									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	11	8.9%	13,904	13.3%	4,285	1.5%	11,787,800	5.6%	
Moderate	54	43.9%	44,223	42.2%	39,414	14.1%	32,570,210	15.6%	
LMI	65	52.8%	58,127	55.5%	43,699	15.6%	44,358,010	21.2%	
Middle	43	35.0%	30,330	29.0%	114,582	40.9%	57,867,760	27.6%	
Upper	15	12.2%	16,216	15.5%	121,124	43.3%	106,547,000	50.9%	
Unknown	-	0.0%	-	0.0%	631	0.2%	557,305	0.3%	
<b>Total</b>	<b>123</b>		<b>104,672</b>		<b>280,036</b>		<b>209,330,075</b>		

### b. Small Business Loans

The distribution of HAB's small business loans among census tracts of varying income levels was just satisfactory.

HAB originated 22% by number and 23.7% by dollar value of its small business loans in LMI-income census tracts, which trailed the aggregate's 25% by number of loans and exceeded the aggregate's 19.9% by dollar value. The Bank's lending rates in LMI geographies improved significantly from 2019 to 2020, especially in low-income census tracts.

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HAB and aggregate small business lending were comparable to the business demographics for LMI geographies.

The following table provides a summary of the distribution of the HAB's small business loans by the income level of census tracts within the Bank's assessment area based on where the business was located.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2019									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	591	0.6%	11,431	0.4%	0.7%
Moderate	3	7.9%	500	3.8%	10,113	11.1%	290,916	9.2%	12.3%
LMI	3	7.9%	500	3.8%	10,704	11.8%	302,347	9.5%	13.0%
Middle	28	73.7%	10,143	77.4%	22,540	24.8%	594,929	18.8%	24.7%
Upper	7	18.4%	2,464	18.8%	52,246	57.4%	1,958,855	61.9%	55.5%
Unknown	0	0.0%	0	0.0%	5,570	6.1%	310,848	9.8%	6.8%
<b>Total</b>	<b>38</b>		<b>13,107</b>		<b>91,060</b>		<b>3,166,979</b>		
2020									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	10	8.5%	6,420	10.9%	24,239	7.6%	948,331	5.9%	7.7%
Moderate	21	17.8%	12,204	20.7%	57,107	17.8%	2,274,884	14.2%	19.0%
LMI	31	26.3%	18,624	31.6%	81,346	25.4%	3,223,215	20.1%	26.6%
Middle	58	49.2%	27,209	46.2%	85,832	26.8%	3,647,387	22.7%	26.8%
Upper	26	22.0%	11,466	19.5%	145,814	45.5%	8,444,115	52.6%	44.2%
Unknown	3	2.5%	1,650	2.8%	7,752	2.4%	726,284	4.5%	2.4%
<b>Total</b>	<b>118</b>		<b>58,949</b>		<b>320,744</b>		<b>16,041,001</b>		
2021									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	13	8.2%	7,675	8.7%	30,059	8.0%	863,690	6.4%	8.4%
Moderate	22	13.9%	11,186	12.7%	74,372	19.9%	2,123,412	15.6%	20.1%
LMI	35	22.2%	18,861	21.5%	104,431	27.9%	2,987,102	22.0%	28.5%
Middle	83	52.5%	48,050	54.7%	106,692	28.5%	3,255,283	24.0%	27.6%
Upper	39	24.7%	19,994	22.7%	154,977	41.4%	6,768,705	49.8%	41.8%
Unknown	1	0.6%	1,000	1.1%	8,260	2.2%	571,013	4.2%	2.1%
<b>Total</b>	<b>158</b>		<b>87,905</b>		<b>374,360</b>		<b>13,582,103</b>		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	23	7.3%	14,095	8.8%	54,889	7.0%	1,823,452	5.6%	
Moderate	46	14.6%	23,890	14.9%	141,592	18.0%	4,689,212	14.3%	
LMI	69	22.0%	37,985	23.7%	196,481	25.0%	6,512,664	19.9%	
Middle	169	53.8%	85,402	53.4%	215,064	27.4%	7,497,599	22.9%	
Upper	72	22.9%	33,924	21.2%	353,037	44.9%	17,171,675	52.4%	
Unknown	4	1.3%	2,650	1.7%	21,582	2.7%	1,608,145	4.9%	
<b>Total</b>	<b>314</b>		<b>159,961</b>		<b>786,164</b>		<b>32,790,083</b>		

## HABIB AMERICAN BANK – CRA PERFORMANCE EVALUATION

### 4. Distribution by Borrower Characteristics: Outstanding

HAB's small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes. The rating for this criterion was based solely on small business lending, as the Bank's HMDA-reportable loans were made to borrowers for investment purposes, for which reporting of borrower income is not required.

#### Small Business Loans

HAB's small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes.

The Bank's lending to businesses with gross annual revenue of \$1 million or less averaged 77.7% by number and 86.9% by dollar value and was significantly above the aggregate's rates of 37% and 18.6%, respectively.

Both HAB and aggregate small business lending rates were below the business demographics for the evaluation period.

The following table provides a summary of the distribution of the Bank's small business loans by the revenue size of the business.

Distribution of Small Business Lending by Revenue Size of Business									
2019									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	22	57.9%	9,569	73.0%	37,630	41.3%	742,378	23.4%	83.4%
Rev. > \$1MM	4	10.5%	1,433	10.9%	53,430	58.7%	2,424,601	76.6%	9.5%
Rev. Unknown	12	31.6%	2,105	16.1%					7.2%
<b>Total</b>	<b>38</b>		<b>13,107</b>		<b>91,060</b>		<b>3,166,979</b>		
2020									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	85	72.0%	47,908	81.3%	114,016	35.5%	2,907,051	18.1%	90.9%
Rev. > \$1MM	7	5.9%	3,270	5.5%	206,728	64.5%	13,133,950	81.9%	4.4%
Rev. Unknown	26	22.0%	7,771	13.2%					4.8%
<b>Total</b>	<b>118</b>		<b>58,949</b>		<b>320,744</b>		<b>16,041,001</b>		
2021									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	137	86.7%	81,557	92.8%	139,567	37.3%	2,461,434	18.1%	91.5%
Rev. > \$1MM	11	7.0%	4,000	4.6%	234,793	62.7%	11,120,669	81.9%	3.4%
Rev. Unknown	10	6.3%	2,348	2.7%					5.0%
<b>Total</b>	<b>158</b>		<b>87,905</b>		<b>374,360</b>		<b>13,582,103</b>		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	244	77.7%	139,034	86.9%	291,213	37.0%	6,110,863	18.6%	
Rev. > \$1MM	22	7.0%	8,703	5.4%					
Rev. Unknown	48	15.3%	12,224	7.6%					
<b>Total</b>	<b>314</b>		<b>159,961</b>		<b>786,164</b>		<b>32,790,083</b>		



## HABIB AMERICAN BANK – CRA PERFORMANCE EVALUATION

### 5. Community Development Lending: High Satisfactory

During the evaluation period, HAB originated \$48.4 million in new community development loans and had \$11.4 million of community development loans outstanding from prior evaluation periods. This demonstrated a highly satisfactory level of community development lending over the course of the evaluation period.<sup>1</sup>

Community Development Loans				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
Purpose	# of Loans	\$000	# of Loans	\$000
Affordable Housing	7	4,350	1	1,861
Economic Development	1	892		
Community Services				
Revitalization & Stabilization	35	43,189	5	9,564
Total	43	48,431	6	11,425

The Bank's community development lending activity largely involved revitalization and/or stabilization of LMI census tracts. These loans were mostly for refinancing of mixed-use properties, typically with reduced interest costs, and often providing local businesses with additional funding for capital improvements or other real estate investments.

Below are highlights of HAB's community development lending:

- HAB refinanced a \$1 million commercial mortgage loan secured by a commercial building located in a low-income census tract in Kings County. The property is leased to a company that provides jobs to LMI individuals. Of the total loan, \$837,781 qualified for CRA credit as revitalization and stabilization. The remaining amount was cash-out to the borrower for other real estate investment that did not qualify for a community development purpose.
- The Bank made a \$1.95 million loan to partly finance the acquisition of a \$3 million industrial building in a moderate-income census tract in Kings County. The property is leased to a mechanic shop and a construction company that provide jobs to LMI individuals, as a result revitalizing and stabilizing this moderate-income census tract.
- HAB extended a \$650,000 loan for the acquisition of a three-story residential apartment building located in a moderate-income census tract in Bronx County. The property consisted of six residential apartment units, all of which were leased at below HUD's Fair Market Rent ("FMR").
- The Bank extended a \$775,000 mortgage loan for a three-story six-unit apartment building located in a moderate-income census tract in Kings County. A majority of the apartments are leased at or below FMR, therefore qualifying the loan for affordable housing.

<sup>1</sup> For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extension of credit. However, the level of lending is reviewed across the time period of the exam.

## HABIB AMERICAN BANK – CRA PERFORMANCE EVALUATION

### a. Flexible and/or Innovative Lending Practices

HAB made significant use of flexible and innovative lending practices.

In 2020, the Bank entered into an agreement with a third party fintech firm to provide a special link to the Bank's customers by which to apply for PPP Loans.

HAB deferred principal and/or interest payments for three to six months on 173 commercial real estate loans totaling \$212,935,441 consistent with DFS's Industry Letter dated June 30, 2020 ("CRA consideration for activities in response to COVID-19"). Of these loans, 58 for a total amount of \$62,310,758 were secured by properties located in LMI areas.

### B. Investment Test: Low Satisfactory

*The Department evaluated HAB's investment performance pursuant to the following criteria:*

- (1) The dollar amount of qualified investments;*
- (2) The innovativeness or complexity of qualified investments; and*
- (3) The responsiveness of qualified investments to the credit and community development needs of the assessment area.*

#### 1. Qualified Investments

During the evaluation period, HAB made \$3.8 million in new qualified investments and had no community development investment outstanding from prior evaluation periods. In addition, HAB made \$282,733 in qualified grants thereby bringing the Bank's total for qualified investments and grants to approximately \$4.1 million. This demonstrated a just satisfactory level of qualified investments and grants over the course of the evaluation period.

Qualified Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
CD Investments	# of Inv.	\$000	# of Inv.	\$000
Affordable Housing				
Economic Development	7	3,800		
Community Services				
Revitalization & Stabilization				
Total	7	3,800	0	0
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	4	80		
Economic Development	3	45		
Community Services	22	158		
Revitalization & Stabilization				
Total	29	283		

## HABIB AMERICAN BANK – CRA PERFORMANCE EVALUATION

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Below are highlights of the Bank’s qualified investments:

- HAB invested \$100,000 in renewable certificates of deposit in various community development financial institutions (“CDFI’s”) which provide community-focused banking services, help to meet the banking and credit needs of LMI geographies, support local economies, and revitalize underserved neighborhoods.
- The Bank invested a total of \$2.5 million in a CRA qualified investment fund that allocates the funds specifically in the bank’s assessment area to help meet the credit needs of LMI borrowers and promote affordable housing. HAB received DFS CRA credit for \$1 million invested in its New York assessment area, the remaining \$1.5 million were invested in the Bank’s out of state assessment areas.

Below are highlights of the Bank’s qualified grants:

- HAB donated \$75,000 to an organization that assists low- and moderate-income families obtain affordable and sustainable homeownership. The organization provides financial and homeownership education, loan origination and mortgage facilitation for underserved families.
- The Bank contributed \$45,000 to an organization that provides support to people to overcome barriers to sustainable employment and ensure they receive training and support to find long-term employment and upward mobility.
- HAB donated \$30,000 to an organization that provides affordable capital, educational resources, coaching, and networking for small businesses. These funds help to meet the banking and credit needs of low-income, underserved, and minority and women entrepreneurs.

### 1. Innovativeness of Qualified Investments

HAB did not make innovative investments to support community development during the evaluation period.

### Responsiveness of Qualified Investments to Credit and Community Development Needs

HAB’s qualified investments exhibited a just satisfactory responsiveness to the assessment area’s credit and community development needs.

### **C. Service Test: Low Satisfactory**

The Department evaluated HAB Bank’s retail service performance pursuant to the following criteria:

- (1) *The current distribution of the banking institution’s branches;*
- (2) *The institution’s record of opening and closing branches;*
- (3) *The availability and effectiveness of alternative systems for delivering retail services; and*
- (4) *The range of services provided.*

## HABIB AMERICAN BANK – CRA PERFORMANCE EVALUATION

*The Department evaluated HAB Bank's community development service performance pursuant to the following criteria:*

- (1) The extent to which the banking institution provides community development services; and*
- (2) The innovativeness and responsiveness of community development services.*

### 1. Retail Banking Services: Low Satisfactory

HAB has a just satisfactory branch network, delivery systems, branch hours and services, and alternative delivery systems, including as it relates to LMI individuals.

#### a. Current distribution of the banking institution's branches

The Bank has a just satisfactory distribution of branches within its assessment area.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Nassau			1			1	100%
New York					1	1	0%
Queens				2		2	0%
<b>Total</b>	-	-	1	2	1	4	25%

HAB operated from four branches, of which one branch was located in moderate-income census tracts, two branches in middle-income census tracts, and one branch in an upper-income census tract.

#### b. Record of opening and closing branches

HAB's record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, including LMI geographies and/or LMI individuals.

The Bank did not open or close any branches during the evaluation period.

#### c. Availability and effectiveness of alternative systems for delivering retail services

HAB's delivery systems are accessible to portions of the Bank's assessment area, including LMI geographies and individuals. Supplementing its branches, the Bank offers a number of alternative systems for delivering retail services such as online banking services, remote deposit capture, debit cards, 24-hour telephone banking, and business online payroll services.

#### d. Range of services provided

HAB's range of services meet the convenience and accessibility needs of its assessment area, including LMI geographies and individuals.

The Bank offers several products that meet small business needs, including SBA lending programs, secured and unsecured small business lines, asset-based lending, accounts receivable financing, trade finance services, documentary collections, and post export financing.

## HABIB AMERICAN BANK – CRA PERFORMANCE EVALUATION

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### 2. Community Development Services: Low Satisfactory

HAB Bank provided a just satisfactory level of community development services during the evaluation period.

<b>Community Development Services</b>	
<b>Activity Type</b>	<b>Number of Activities</b>
On-Going Board & Committee Memberships	12
Technical Assistance	
Webinars	4
Credit Counseling	
<b>Total Community Development Services</b>	<b>16</b>

Below are highlights of the Bank’s community development services.

- In three instances, a senior officer of HAB provided financial expertise and leadership through board and committee memberships in nonprofit organizations involved in health services, youth services, and education within the assessment area.
- The Bank organized a two-day webinar for small businesses entitled “Critical Mistakes that Business Owners should avoid as we come out of the COVID-19 crisis”.
- A senior vice president of HAB Bank conducted a cybersecurity webinar for small business owners to highlight best practices to protect their businesses from cyber-attacks. The webinar included discussion of network security, system security, social engineering and scams, employee awareness and training, monitoring, controls, and backups.

#### **A. Additional Factors**

The following factors were also considered in assessing HAB Bank’s record of performance.

1. 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 CRA.

HAB's CRA Committee is responsible for oversight of the Bank's CRA performance and the CRA officer is responsible for maintaining the Community Reinvestment Act (CRA) Statement, which is a combination of CRA Statement, policy and procedures. The CRA Statement is reviewed and approved by the Board annually.

### 2. 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.*

## HABIB AMERICAN BANK – CRA PERFORMANCE EVALUATION

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DFS examiners did not note practices by HAB intended to discourage applications for the types of credit offered by Bank.

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

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

### 3. 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.

HAB's efforts to ascertain the credit needs of its community are primarily through direct contact with its customers. Members of management call on customers and discuss specific credit requirements. Still, the Bank also ascertains information on the credit needs of the community through its membership in various community organizations.

- 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

HAB's target market consists of small businesses primarily owned and operated by members of the South Asian community. The Bank's contact with customers is typically on a one-to-one basis through its calling program and sponsored events. Bank officers also participate in community events to provide information about the Bank's services and credit products. In addition, to make the community aware of the availability of various products and services, the Bank places ads in community-oriented publications.

- *Action Taken in Response to Written Complaints with Respect to CRA*

Neither HAB Bank nor DFS received any written complaints regarding HAB Bank's CRA performance during the evaluation period.

### 4. Other factors that in the judgment of the Superintendent bear upon the extent to which the Bank is helping to meet the credit needs of its entire community

DFS examiners noted no other factors.

## **V - GLOSSARY**

### **Aggregate Lending**

“Aggregate lending” means 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.

### **Banking Development District (“BDD”) Program**

The BDD Program is a program designed to encourage the establishment of bank branches in areas across New York State where there is a demonstrated need for banking services, in recognition of the fact that banks can play an important role in promoting individual wealth, community development, and revitalization. Among others, the BDD Program seeks to reduce the number of unbanked and underbanked New Yorkers and enhance access to credit for consumers and small businesses. More information about the program, may be found at <https://www.dfs.ny.gov> and search for the BDD Program.

### **Community Development**

“Community development” means:

- Affordable housing (including multifamily housing) for LMI individuals;
- Community services targeted to LMI individuals;
- 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;
- Activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved metropolitan middle-income geographies designated by the Board of Governors of the federal Reserve System, FDIC and the Office of Comptroller of the Currency; and
- Activities that seek to prevent defaults and/or foreclosures in loans included in the first and third bullet points above.

### **Community Development Loan**

“Community development loan” means 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 LMI persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;

- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean-up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

### **Community Development Service**

“Community development service” means a 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.



**Community Development Financial Institution (“CDFI”)**

A CDFI is a financial institution that provides credit and financial services to underserved markets and populations and has a primary mission of community development, serves a target market, is a financing entity, provides development services, remains accountable to its community, and is a non-governmental entity. CDFIs are certified as such by United States Treasury Department’s CDFI Fund.

**Fair Market Rents (“FMRs”)**

Fair Market Rents are published and developed annually by the US Department of Housing and Urban Development (“HUD”) and used to determine rent payments for affordable housing projects such as Section 8 contracts in defined metropolitan statistical areas (“MSAs”) nationwide. For easy reference of annual FMRs in New York MSAs or counties, go to [www.huduser.gov/portal/datasets/fmr.html](http://www.huduser.gov/portal/datasets/fmr.html)

**Geography**

“Geography” means 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 Metropolitan Statistical Area (“MSA”) or statewide nonmetropolitan median income.

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

### **LMI Geographies**

“LMI geographies” means those census tracts or block numbering areas where, according to the most current 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 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 Block Numbering Areas (“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**

“LMI borrowers” means 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 Federal Financial Institutions Examination Council (“FFIEC”).

### **LMI Individuals/Persons**

“LMI individuals” or “LMI persons” means 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 the FFIEC.

### **LMI Penetration Rate**

“LMI penetration rate” means the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, if a bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers, the penetration rate would be 20%.

### **Low-Income Housing Tax Credit (“LIHTC”)**

LIHTC were 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. The tax credits 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.

### **Minority Depository Institutions (“MDIs”)**

An MDI is defined as a federal insured depository institution for which (1) 51 percent or more of the voting stock is owned by minority individuals; or (2) a majority of the board of directors is

minority and the community that the institution serves is predominantly minority. For more of MDIs, go to FDIC.gov (Minority Depository Institutions Program) including list of MDIs.

### **New Markets Tax Credit (“NMTC”)**

The NMTC Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits 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 CDFI Fund, an agency of the United States Department of the Treasury.

### **Paycheck Protection Program (“PPP”) Loans**

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) temporarily permits the U.S. Small Business Administration (“SBA”) to guarantee 100% of 7(a) loans under a new program titled the “Paycheck Protection Program”. The intent of the PPP is to help small business cover payroll costs providing for forgiveness of up to the full principal of qualifying loans guaranteed under the PPP subject to certain rules including how much or percentage of the loan proceeds a borrower spends on payroll costs. A small business owner can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Any amount of the PPP loan that is not forgiven shall be repaid over a 5-year term at a fixed interest rate of 1%. The program officially ended May 31, 2021.

### **Qualified Investment**

“Qualified investment” means 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;

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- 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.

### **Small Business Loan**

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