



**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, 2017

**Institution:** State Bank of India, New York Branch  
460 Park Avenue  
New York, NY 10022

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

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## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of State Bank of India, New York Branch (“SBINY”) 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, 2017.

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 the performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

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

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

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

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

### **Overall CRA Rating: "Satisfactory"**

The Department evaluated SBINY according to the community development test for wholesale or limited purpose banking institutions pursuant to Section 76.11 of the GRS. The evaluation period covered January 1, 2015 through December 31, 2017. SBINY is rated "Satisfactory," or "2." This rating means SBINY has a satisfactory record of helping to meet community credit needs.

This rating is based on the following factors:

### **Community Development Test: "Satisfactory"**

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

### **Community Development Lending: "Satisfactory"**

SBINY purchased or renewed community development loans totaling \$24 million during the evaluation period, resulting in an annualized community development loans to total average assets ratio of 0.10%. This demonstrated an adequate level of community development lending.

### **Qualified Investments: "Satisfactory"**

SBINY made \$42.7 million in new qualified investments during the evaluation period and had \$51.7 million in qualified investments outstanding from prior evaluation periods, resulting in an annualized qualified investments to average total asset ratio of 0.40% for the current evaluation period. This demonstrated an adequate level of qualified investments.

### **Community Development Services: "Satisfactory"**

SBINY demonstrated an adequate level of community development services during the evaluation period. Management of SBINY provided financial and technical assistance to community development organizations and conducted small business workshops.

### **Innovative or Complex Practices:**

SBINY did not use complex or innovative practices in its community development loans or investments.

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

SBINY demonstrated an adequate 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 GRS.*

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## PERFORMANCE CONTEXT

### Institution Profile

SBINY opened as a representative office in 1966 and converted to an FDIC-insured branch in 1971. SBINY is a foreign branch of the State Bank of India (“SBI”), which is headquartered in Mumbai, India. SBI is the largest commercial bank in India and the government of India is the largest shareholder of SBI. SBINY is designated as a wholesale institution for its CRA performance evaluation.

SBINY’s services and products include commercial lines-of credit, syndicated commercial loans, letters-of-credit, standby-letters-of-credit, foreign currency loans, and correspondent banking. SBINY does not engage in residential lending; however, it offers some retail deposit products (including checking accounts, money market accounts, and certificate of deposits), as well as services that include remittance, wire transfers, and internet banking.

Per the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks, as of December 31, 2017, filed with the Federal Financial Institutions Examination Council (“FFIEC”), SBINY reported total assets of \$9.4 billion, of which \$7.3 billion were net loans and lease financing receivables. It also reported total deposits of \$7.2 billion, resulting in a LTD ratio of 101.3%. Per the latest available comparative deposit data as of June 30, 2017, SBINY had a market share of 0.4%, or \$5.6 billion in a market of \$1.3 trillion, ranking it 20<sup>th</sup> among 111 deposit-taking institutions in the assessment area.

The following is a summary of the bank’s loan portfolio, based on Schedule C of the bank’s December 31, 2015, 2016, and 2017’s Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
Loan Type	12/31/2015		12/31/2016		12/31/2017	
	\$000's	%	\$000's	%	\$000's	%
Commercial & Industrial Loans	2,644,320	52.0	2,945,547	56.5	2,929,570	40.1
Commercial Mortgage Loans	0	0.0	52,692	1.0	78,307	1.1
Loans to Other Financial Institutions	0	0.0	389,000	7.5	442,000	6.1
Loans to Depository Institutions and Acceptances of Other Banks	2,327,116	45.8	1,806,725	34.7	3,815,587	52.3
Loans to Foreign Governments and Official Institutions	105,819	2.1	0	0.0	0	0.0
Construction Loans		0.0	14,412	0.3	26,975	0.4
Other Loans	3,447	0.1	5,206	0.1	7,334	0.1
<b>Total Gross Loans</b>	<b>5,080,702</b>		<b>5,213,582</b>		<b>7,299,773</b>	

As illustrated in the above table, SBINY makes loans primarily to other depository

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institutions (52.3%), followed by commercial and industrial loans (40.1%).

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

### **Assessment Area**

SBINY's assessment area is comprised of Bronx, Kings, New York, Queens, and Richmond counties, which make up the five boroughs of New York City.

There are 2,167 census tracts in the area, of which 347 are low-income, 608 are moderate-income, 631 are middle-income, and 515 are upper-income; 66 tracts have no income indicated.

<b>Assessment Area Census Tracts by Income Level</b>						
County	N/A	Low	Mod	Middle	Upper	Total
Bronx	7	160	90	56	26	339
Kings	14	115	280	211	141	761
New York	15	44	51	20	158	288
Queens	27	24	176	308	134	669
Richmond	3	4	11	36	56	110
Total	66	347	608	631	515	2,167

### **Demographic & Economic Data**

The assessment area had a population of 8.4 million during the evaluation period. Approximately 12.7% of the population were over the age of 65, and 19% were under the age of sixteen.

Of the 1,865,277 families in the assessment area, 32.6% were low-income, 16.3% were moderate-income, 15.7% were middle-income and 35.5% were upper-income. There were 3,113,535 households in the assessment area, of which 19.4% had income below the poverty level, and 4.1% were on public assistance.

The weighted average median family income in the assessment area was \$70,541.

There were 3,422,225 housing units within the assessment area, of which 39.4% were one-to-four family units and 60.4% were multifamily units. A majority (62%) of the area's housing units were rental units, while 29% were owner-occupied. Of the 991,350 owner-occupied housing units, 24.2% were in LMI census tracts while 75.6% were in middle- and upper-income census tracts. The median age of the housing stock was 69 years, and the median home value in the assessment area was \$536,278.

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There were 509,507 non-farm businesses in the assessment area. Of these, 85.9% were businesses with reported revenues of less than or equal to \$1 million, 7.3% reported revenues of more than \$1 million, and 6.8% did not report their revenues. Of all the businesses in the assessment area, 96.9% were businesses with less than fifty employees while 91.1% operated from a single location. The largest industries in the assessment area were services (47.5%), followed by retail trade (15.7%) and finance, insurance and real estate (9.6%); 9.6% of businesses were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State and each county in SBINY's assessment area declined each year during the evaluation period. New York and Queens counties had the lowest average unemployment rates during the evaluation period, while Bronx County's average rates were the highest.

Assessment Area Unemployment Rate						
	Statewide	Bronx	Kings	New York	Queens	Richmond
2015	5.3	7.8	5.9	4.9	5.0	5.8
2016	4.8	7.1	5.3	4.5	4.5	5.2
2017	4.7	6.2	4.6	4.0	4.0	4.6

### **Community Information**

Examiners interviewed a vice president of a nonprofit organization to gather information about the credit and community development needs of SBINY's assessment area. The organization's goals include: providing affordable rental housing and home ownership opportunities to homeless persons and LMI individuals, families, and disabled persons; promoting economic development through revitalization of local commercial areas; and providing job training and employment opportunities for local residents.

The contact mentioned that there is a large population of LMI families and individuals living in Central Harlem, with about half of that population living below the poverty level. He indicated the need for start-up business programs and employment opportunities. The contact noted that local financial institutions have provided financial assistance by donating funds. He also provided positive feedback on SBINY, citing the bank as being an active participant. Nevertheless, he noted that local financial institutions can do more by participating with other institutions or collaborating with community development organizations to offer financial programs that benefit LMI individuals, families, and seniors, as well as start-up or existing small businesses.



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## **PERFORMANCE TEST AND ASSESSMENT FACTORS**

*The Department evaluated SBINY under the wholesale banking institution performance standards pursuant to the “community development test” as provided in Section 76.11 of the GRS. Performance criteria include:*

- (1) the number and amount of community development loans, qualified investments, or community development services;*
- (2) the use of innovative or complex qualified investments, community development loans, or community development services and the extent to which investments are not routinely provided by private investors; and*
- (3) the banking institution’s responsiveness to credit and community development needs.*

*In addition, the following factors are also considered in assessing SBINY’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 Bank’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 SBINY is helping to meet the credit needs of its entire community.*

The evaluation period covered calendar years 2015, 2016, and 2017.

At its **prior** Performance Evaluation, as of December 31, 2014, DFS assigned SBINY a rating of “2”, reflecting a “Satisfactory” record of helping to meet community credit needs

**Current CRA Rating:** “Satisfactory”

**Community Development Test:** “Satisfactory”

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

SBINY had a total of \$24 million in community development loans and \$94.4 million in qualified investments during the evaluation period.

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

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Community Development Lending: “Satisfactory”

During the evaluation period, SBINY purchased or renewed community development loans totaling \$24 million, resulting in an annualized community development loans to total average assets ratio of 0.10%. This demonstrated an adequate level of community development lending over the course of the evaluation period.

The level of community development loans originated during the evaluation period increased by 74.4% from the \$13.7 million originated in the prior evaluation period. Most of SBINY’s community development loans were for the community development purpose of revitalization and stabilization.

<b>Community Development Loans</b>		
	<b>This Evaluation Period</b>	
<b>Purpose</b>	<b># of Loans</b>	<b>\$000</b>
Affordable Housing	2	4,900
Economic Development	4	8,300
Community Services	0	0
Revitalize/Stabilize (SBA Loans purchased)	25	10,767
<b>Total</b>	<b>31</b>	<b>23,967</b>

Below are highlights of SBINY’s community development lending.

- SBINY purchased 25 Small Business Administration guaranteed loans totaling \$10.8 million. These loans supported small businesses that employ LMI individuals, and revitalized and stabilized geographies in the assessment area.
- SBINY extended two lines-of-credit for a total of \$4.9 million to a nonprofit public housing organization whose mission includes revitalizing underserved neighborhoods by connecting residents to affordable housing; helping individuals buy, maintain, and stay in their home; and empowering residents through homeownership and education. The funds provide for programs and loans that benefit LMI families and individuals within New York City.
- SBINY extended a \$3 million line-of-credit to a nonprofit organization that is a U.S. Treasury certified Community Development Financial Institution (“CDFI”). The CDFI’s mission is to transform LMI communities by providing low-interest loans to small businesses as well as providing counseling and training to small business owners in New York City.

Qualified Investments: “Satisfactory”

SBINY made \$42.7 million in new qualified investments during the evaluation period and

had \$51.7 million in qualified investments outstanding from prior evaluation periods, resulting in an annualized qualified investment to average total asset ratio of 0.40% for the current evaluation period. This demonstrated an adequate level of qualified investments over the course of the evaluation period.

Total qualified investments increased by 22.2% from the \$77.2 million reported at the prior evaluation period. Most of SBINY’s qualified investments were for affordable housing as SBINY primarily invested in mortgage-backed securities collateralized by multifamily properties providing affordable housing for LMI individuals and families.

<b>Community Development Investments and Grants</b>				
	<b>This Evaluation Period</b>		<b>Outstandings from Prior Evaluation Periods</b>	
	<b># of Inv.</b>	<b>\$000</b>	<b># of Inv.</b>	<b>\$000</b>
CD Investments				
Affordable Housing	7	39,031	45	51,667
Economic Development				
Community Services				
Revitalize & Stabilize	1	3,290		
<b>Total</b>	<b>8</b>	<b>42,321</b>	<b>45</b>	<b>51,667</b>
CD Grants	<b># of Grants</b>	<b>\$000</b>	<i>Not Applicable</i>	
Affordable Housing	13	125		
Economic Development	4	40		
Community Services	11	93		
Revitalize & Stabilize	17	143		
<b>Total</b>	<b>45</b>	<b>401</b>		

Below is a description of SBINY’s community development investments and grants.

Investments

- SBINY purchased two Federal National Mortgage Association (“FNMA”) mortgage-backed securities (“MBS”) for a total of \$13.4 million. They are secured by two multifamily buildings with a total of 185 rental units. The properties are in low-income census tracts in New York City and the tenants, who are mostly LMI individuals and families, receive a rent subsidy through the Section 8 Housing Program.
- SBINY invested \$5 million in a FNMA MBS collateralized by a revenue bond issued by the New York City Housing Preservation and Development Corporation. The investment funded the mortgage of a multifamily rental property providing affordable housing to LMI individuals and families.

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- SBINY invested \$4.1 million in a FNMA MBS. The MBS is secured by Tier II transitional housing facilities, which are defined as “apartment style facilities that the New York City Department of Homeless Services uses to house families deemed eligible for shelter.”

### Grants

- SBINY donated \$50,000 to a nonprofit organization committed to preserving, protecting, and revitalizing neighborhoods through increasing homeownership, community development, and investment. To achieve this, the organization provides housing education, counseling, and financial services to LMI residents.
- SBINY made grants totaling \$37,500 to a not-for-profit organization. The organization works for a more sustainable and equitable New York City by partnering with community-based organizations, small businesses, and policymakers to combine urban planning, research, policy advocacy, and small business assistance to advance innovative solutions in LMI communities that face the greatest economic and environmental challenges.
- SBINY donated \$30,000 to a nonprofit organization that collaborates with financial institutions and community housing agencies to help LMI individuals and families become first-time homeowners in the greater New York City area. The organization offers financial workshops and one-on-one counseling and prepares qualified borrowers for responsible homeownership.
- SBINY contributed \$27,500 to a nonprofit agency involved in community development by assisting businesses to get started and grow, providing residents with specific job training and learning opportunities, and creating affordable housing and commercial space to revitalize and stabilize the community.
- SBINY contributed \$25,000 to a not-for-profit organization dedicated to protecting, preserving, and promoting affordable housing in New York City by providing LMI immigrants with financial literacy education and affordable housing advocacy.

### Community Development Services: “Satisfactory”

SBINY demonstrated an adequate level of community development services over the course of the evaluation period. Management of SBINY provided financial and technical assistance to community development organizations and conducted small business workshops. In all, SBINY provided approximately 1,027 hours of community services during the evaluation period.

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Below are highlights of SBINY's community development services.

- SBINY's senior compliance officer serves on the board of a nonprofit organization that is committed to improving access to affordable housing for domestic violence survivors and their families.
- SBINY's CRA officer provided counseling and foreclosure intervention to homeowners in South Queens in collaboration with a local community development organization that provides financial and technical assistance to LMI families and individuals in New York City who want to improve their poor housing conditions.
- SBINY's CRA officer works with a not-for-profit organization whose mission is to provide economic development and empowerment opportunities to residents of Harlem to rebuild and sustain their community. The CRA officer participates in small business workshops providing guidance and leadership training to small business owners in Harlem.

#### **Innovative Practices:**

SBINY did not use complex or innovative practices in its community development loans or qualified investments.

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

SBINY demonstrated an adequate level of responsiveness to credit and community development needs. SBINY's performance was based on the level of community development lending activities.

#### **Additional Factors**

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

The CRA officer and executive management, which includes department heads and the CFO and CEO, meet quarterly to review and discuss SBINY's CRA performance and activities. During the meeting the CRA officer also identifies lending and community development opportunities within the SBINY's assessment area.

##### **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.*

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DFS did not note any practices that were intended to discourage applications for the types of credit offered by SBINY.

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

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

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

The bank has not opened or closed any branches since the prior evaluation. As a wholesale bank, SBINY does not offer retail services at its offices.

### **Process Factors**

- *Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.*

An SBINY officer is on the board of a nonprofit organization and the CRA officer participated in homeowner and small business workshops providing foreclosure prevention counseling, financial and technical assistance for homeowners and small business owners. These activities provide them the opportunity to ascertain the credit needs of the community, as well as assess lending and investment opportunities for the bank that may qualify for community development.

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

As a wholesale bank, SBINY does not market its limited retail products and services. However, SBINY collaborates with community development organizations by participating in homeowner and small business workshops. While collaborating with these organizations, it also discusses opportunities to lend or invest in community development activities.

### **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**

DFS examiners noted no other factors.

## **GLOSSARY**

### **Aggregate Penetration Rate**

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

### **Community Development**

“Community development”:

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

### **Community Development Loan**

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

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

## **Community Development Service**

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

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

## **Geography**

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

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

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

## **Income Level**



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

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

### **Small Business Loan**

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

### **Low or Moderate Income (“LMI”) Geographies**

Those census tracts or block numbering areas where, according to the 2000 U.S. Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

### **LMI Borrowers**

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

### **LMI Individuals/Persons**

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

### **LMI Penetration Rate**

A number that represents the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

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

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

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

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

### **Qualified Investment**

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

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;

- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.