



**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: Alpine Capital Bank
680 Fifth Avenue, 7th Floor
New York, NY 10019

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 Alpine Capital Bank (“Alpine” 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 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.

OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated Alpine according to the small banking institution performance standards pursuant to Sections 76.7 and 76.12 of the GRS. The evaluation period included calendar years 2014, 2015, 2016, and 2017. Alpine is rated "Satisfactory," or "2." This rating means Alpine had a satisfactory record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: Satisfactory

Loan-to-Deposit Ratio and Other Lending-Related Activities: "Satisfactory"

Alpine's average loan-to-deposit ("LTD") ratio and other lending activities were reasonable considering its size, business strategy, financial condition, and peer group activity.

Alpine's average LTD ratio of 57.3% for the evaluation period was below its peer group's average LTD ratio of 78.4% for the same period. Alpine's low LTD ratio was a result of a decline in its loan portfolio and an increase in total deposits during the evaluation period. Alpine, while not required to do so as a small banking institution, also made five community development loans totaling \$10.8 million during the evaluation period.

Assessment Area Concentration: "Outstanding"

Alpine originated 85.7% by number and 89.5% by dollar value of its total construction loans within the assessment area. This substantial majority of lending reflects an excellent concentration of lending within Alpine's assessment area.

Distribution by Borrower Characteristics: "Not Rated"

DFS did not evaluate Alpine under this standard because the income of the Bank's construction loan borrowers was not available. Alpine was not required to report the income for construction loans because the borrowers were mainly limited liability companies or other types of companies created primarily for construction projects.

Geographic Distribution of Loans: "Satisfactory"

Alpine's origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

Alpine's average rates of lending in LMI geographies for the evaluation period were 47.2% by number and 32.3% by dollar value of loans, compared to 60.6% to 62.3% of nonowner occupied housing units located in LMI geographies.

Action Taken in Response to Written Complaints with Respect to CRA: “Not Rated”

Neither DFS nor Alpine received any written complaints regarding Alpine’s CRA performance 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.

PERFORMANCE CONTEXT

Institution Profile

Alpine is a New York state-chartered, non-member bank that opened for business on March 1, 2000. Alpine is a full-service, FDIC insured commercial bank with a client base of high net-worth individuals, their families, and businesses.

Alpine operates one branch office in Manhattan, New York and has no Automated Teller Machines (“ATM”). Alpine offers various banking services and products either in-person through an executive-level service manager or via online banking for services such as bill payment and internal fund transfers. Other services offered include wire transfers, bank checks, direct deposit, and debit and ATM cards. Deposit products include checking, savings, money market, and time deposit accounts. Lending products include personal loans, commercial loans, commercial and residential mortgage loans, construction loans, and asset-based loans.

Per the Consolidated Report of Condition (the “Call Report”) as of December 31, 2017, filed with the Federal Deposit Insurance Corporation (“FDIC”), Alpine reported total assets of \$283.4 million, of which \$109.4 million were net loans and lease financing receivables. The Bank also reported total deposits of \$235.5 million, resulting in a LTD ratio of 46.5%. According to the latest available comparative deposit data as of June 30, 2017, Alpine obtained a market share of 0.02%, or \$217.2 million in a market of \$1.2 trillion, ranking it 65th among 98 deposit-taking institutions in the assessment area.

The following is a summary of Alpine’s loan portfolio, based on Schedule RC-C of the Bank’s December 31, 2014, 2015, 2016 and 2017 Call Reports:

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	12/31/2014		12/31/2015		12/31/2016		12/31/2017	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	19,247	12.8	17,153	11.3	17,457	15.1	9,803	8.5
Commercial & Industrial Loans	17,716	11.8	12,240	8.0	10,867	9.4	11,933	10.31
Commercial Mortgage Loans	43,110	28.7	22,939	15.0	19,694	17.0	20,225	17.48
Multifamily Mortgages	15,122	10.1	20,500	13.4	8,798	7.6	8,622	7.5
Consumer Loans	8,649	5.8	10,283	6.7	13,658	11.8	14,634	12.65
Construction Loans	40,487	27.0	61,543	40.4	43,021	37.2	48,022	41.5
Other Loans	5,556	3.7	7,705	5.1	2,126	1.8	1,687	1.5
Loans to nondepository financial institutions	80	0.1	90	0.1	90	0.1	80	0.1
Total Gross Loans	149,967		152,453		115,711		115,006	

As illustrated in the above table, Alpine is primarily a commercial lender, with commercial, commercial mortgage, and multifamily loans making up 35.3% of its loan portfolio and construction loans, made up primarily of multifamily and condominium projects, representing 41.5% of Alpine’s loan portfolio as of December 31, 2017. Alpine’s loan portfolio decreased by \$35 million or 23.3% from year-end 2014 to year-end 2017, mainly due to a decrease in commercial and residential mortgage loans.

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

Assessment Area

Alpine’s assessment area is comprised of Bronx, Kings and New York Counties.

There are 1388 census tracts in the area, of which 319 are low-income, 421 are moderate-income, 287 are middle-income, and 325 are upper-income; 36 tracts had no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	7	160	90	56	26	339	73.7
Kings	14	115	280	211	141	761	51.9
New York	15	44	51	20	158	288	33.0
Total	36	319	421	287	325	1,388	53.3

Demographic & Economic Data

The assessment area had a population of 5.6 million during the evaluation period. About 12.3% of the population were over the age of 65 and 19.2% were under the age of sixteen.

Of the 1.2 million families in the assessment area, 36.4% were low-income, 15.9% were moderate-income, 14.3% were middle-income, and 33.5% were upper-income. There were 2.2 million households in the assessment area, of which 21.6% had income below the poverty level and 4.5% were on public assistance.

The weighted average median family income in the assessment area was \$70,154.

There were 2.4 million housing units within the assessment area, of which 28.7% were one-to-four family units and 71.1% were multifamily units. A majority (67.9%) of the area’s housing units were rental units, while 22.4% were owner-occupied. Of the 536,789 owner-occupied housing units, 29.4% were in LMI census tracts, while 70.2%

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 \$576,104.

There were 371,138 non-farm businesses in the assessment area. Of these, 84.3% reported revenues of less than or equal to \$1 million, 8.4% reported revenues of more than \$1 million, and 7.4% did not report their revenues. Of the businesses in the assessment area, 96.5% had less than fifty employees while 90.1% operated from a single location. The largest industries in the area were services (48.0%), followed by retail trade (15.6%), and finance, insurance & real estate (10.6%); 9.9% of businesses in the assessment area were not classified.

Per the New York State Department of Labor, the average annual unemployment rate for New York State and the three counties that make up Alpine’s assessment area steadily declined during the evaluation period. New York County consistently had the lowest average annual unemployment rate for each year, while Bronx County consistently had the highest rate.

Assessment Area Unemployment Rate				
	Statewide	Bronx	Kings	New York
2014	6.3%	9.8%	7.6%	6.1%
2015	5.3%	7.8%	5.9%	4.9%
2016	4.8%	7.1%	5.3%	4.5%
2017	4.7%	6.2%	4.6%	4.0%

Community Information

DFS examiners conducted a community contact interview with a director of a nonprofit organization. The organization supports economic development by assisting LMI entrepreneurs who either live in or sell goods or services in underserved communities in New York City. The organization assists such entrepreneurs start and build businesses by providing access to professional, legal, and financial expertise that they otherwise could not afford.

The community contact stated that LMI individuals and small businesses need access to more flexible loan products, financial education, and credit counseling. The community contact further stated that banks need to better educate and provide better guidance to potential small business customers on the documentation needed to open a business account. The community contact also mentioned that some of its clients have experienced challenges opening a business account with local banks. The community contact also indicated that many of its clients are not ready to open business accounts due to poor personal credit history.

The community contact also noted that economic conditions have remained unchanged over the years. Poverty levels remain high and many neighborhoods in New York City continue to be unbanked and underserved.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated Alpine under the small banking institution performance standards in accordance with Sections 76.7 and 76.12 of the GRS, which consist of the following lending test criteria:

- 1. Loan-to-deposit ratio and other lending-related activities;*
- 2. Assessment area concentration;*
- 3. Distribution of loans by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA.*

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. Evidence of practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. The institution's 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, DFS considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which Alpine helps meet the credit needs of its entire community.

DFS derived statistics employed in this evaluation from various sources. Alpine submitted bank-specific information both as part of the examination process and on 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 calculated LTD ratios from information shown in the Bank's Uniform Bank Performance Report submitted to the FDIC.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business demographic 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 2014, 2015, 2016, and 2017.

Alpine originated fewer than 10 HMDA and 10 small business loans during the evaluation period. Alpine originated 36 construction loans during the evaluation period, which constituted a substantial majority of Alpine's lending business. Thus, DFS considered Alpine's construction loans in evaluating factors (2) and (4) of the lending test noted above. The income of construction loan borrowers was not available. Therefore, DFS

could not evaluate factor (3), Distribution by Borrower Characteristics, under the lending test.

At its **prior** Performance Evaluation, as of September 30, 2014, DFS assigned Alpine a rating of “2,” reflecting a “Satisfactory” record of helping to meet the credit needs of the bank’s community.

Current CRA Rating: “Satisfactory”

Lending Test: “Satisfactory”

Alpine’s lending activities were reasonable in light of its size, business strategy, financial condition, and the demographic characteristics and credit needs of its assessment area.

Loan-to-Deposit Ratio and other Lending-Related Activities: “Satisfactory”

Alpine’s average LTD ratio and other lending activity were reasonable considering its size, business strategy, financial condition, and peer group activity.

Alpine’s average LTD ratio was 57.3% for the evaluation period, which was lower than its peer group’s average LTD ratio of 78.4% for the same period. It also represented a decline from Alpine’s average LTD ratio of 64% during the prior evaluation period.

Alpine’s lower LTD ratio was a result of a 20.6% decline in its loan portfolio during the evaluation period, while total deposits increased by 18.7%. Alpine’s loan portfolio decline was due to the considerable competition for loans by financial institutions within its assessment area, as well as Alpine’s business strategy.

Alpine, while not required to do so as a small banking institution, also made five community development loans totaling \$10.8 million during the evaluation period.

The table below shows Alpine’s LTD ratios in comparison with the peer group’s ratios for the 16 quarters since the prior evaluation.

Loan-to-Deposit Ratios																	
	2014	2014	2014	2014	2015	2015	2015	2015	2016	2016	2116	2016	2017	2017	2017	2017	Avg.
	Q1	Q2	Q3	Q4													
Bank	64.0	64.6	74.7	59.2	58.8	65.9	63.0	60.4	55.2	57.1	58.2	52.0	42.4	47.1	48.5	46.5	57.3
Peer	76.1	77.3	77.5	78.1	77.8	79.0	78.6	78.7	77.9	79.1	79.4	78.9	77.9	79.1	79.3	80.0	78.4

Assessment Area Concentration: “Outstanding”

During the evaluation period, Alpine originated 85.7% by number and 89.5% by dollar value of its total construction loans within the assessment area. This substantial majority of lending reflects an excellent concentration of lending within the Bank’s assessment

area.

The following table shows the percentages of Alpine's construction 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
	#	%	#	%		\$	%	\$	%	
Construction										
2014	5	100.0%	0	0.0%	5	6,040	100.0%	0	0.0%	6,040
2015	8	80.0%	2	20.0%	10	14,900	88.7%	1,900	11.3%	16,800
2016	13	100.0%	0	0.0%	13	26,173	100.0%	0	0.0%	26,173
2017	10	71.4%	4	28.6%	14	25,380	79.5%	6,560	20.5%	31,940
Total	36	85.7%	6	14.3%	42	72,493	89.5%	8,460	10.5%	80,953

Distribution by Borrower Characteristics: "Not Rated"

DFS did not evaluate Alpine under this standard because the income of the Bank's construction loan borrowers was not available. Alpine was not required to report the income for construction loans because the borrowers were mainly limited liability companies or other types of companies created primarily for construction projects.

Geographic Distribution of Loans: "Satisfactory"

Alpine's origination of construction loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

DFS focused on Alpine's distribution of construction loans compared to nonowner occupied housing demographics. Alpine's average rates of lending in LMI geographies for the evaluation period were 47.2% by number and 32.3% by dollar value of loans, compared to 60.6% to 62.3% of nonowner occupied housing units located in LMI geographies.

In 2014, Alpine's number of loans and dollar value of loans exceeded the percentage of nonowner occupied housing units located in LMI geographies, while in 2015, 2016 and 2017 Alpine's rates of lending trailed the percentage of nonowner occupied housing units in LMI geographies.

The following table provides a summary of the distribution of Alpine's construction loans by the income level of the geography where the businesses were located.

Distribution of Construction Lending by Geographic Income of the Census Tract					
2014					
Geographic	Bank				Rental Occupied Housing Units
Income	#	%	\$000's	%	%
Low	2	40.0%	1,920	31.8%	28.1
Moderate	2	40.0%	1,335	22.1%	34.2
LMI	4	80.0%	3,255	53.9%	62.3
Middle	1	20.0%	2,785	46.1%	13.9
Upper	0	0.0%	0	0.0%	40.5
Unknown	0	0.0%	0	0.0%	0.0
Total	5		6,040		
2015					
Geographic	Bank				Rental Occupied Units
Income	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	28.1
Moderate	4	50.0%	4,400	29.5%	34.2
LMI	4	50.0%	4,400	29.5%	62.3
Middle	4	50.0%	10,500	70.5%	13.9
Upper	0	0.0%	0	0.0%	40.5
Unknown	0	0.0%	0	0.0%	0.0
Total	8		14,900		
2016					
Geographic	Bank				Rental Occupied Units
Income	#	%	\$000's	%	%
Low	1	7.7%	1,000	3.8%	28.1
Moderate	4	30.8%	4,540	17.3%	34.2
LMI	5	38.5%	5,540	21.2%	62.3
Middle	2	15.4%	1,733	6.6%	14.0
Upper	6	46.2%	18,900	72.2%	40.5
Unknown	0	0.0%	0	0.0%	0.0
Total	13		26,173		
2017					
Geographic	Bank				Rental Occupied Units
Income	#	%	\$000's	%	%
Low	2	20.0%	2,910	11.5%	31.1
Moderate	2	20.0%	7,300	28.8%	29.5
LMI	4	40.0%	10,210	40.2%	60.6
Middle	2	20.0%	4,000	15.8%	13.6
Upper	4	40.0%	11,170	44.0%	26.4
Unknown	0	0.0%	0	0.0%	0.4
Total	10		25,380		
GRAND TOTAL					
Geographic	Bank				Rental Occupied Units
Income	#	%	\$000's	%	%
Low	5	13.9%	5,830	8.0%	
Moderate	12	33.3%	17,575	24.2%	
LMI	17	47.2%	23,405	32.3%	
Middle	9	25.0%	19,018	26.2%	
Upper	10	27.8%	30,070	41.5%	
Unknown	0	0.0%	0	0.0%	
Total	36		72,493		

Action Taken in Response to Written Complaints with Respect to CRA: “Not Rated”

Neither DFS nor Alpine received any written complaints during the evaluation period regarding the bank’s CRA performance.

Additional Factors

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

Alpine’s board of director’s reviews and approves the CRA policy annually and is responsible for compliance with the policy. The board monitors Alpine’s CRA performance by reviewing Alpine’s CRA self-assessment. The CRA Officer conducts an annual CRA self-assessment of Alpine’s CRA related activities and presents it to the board.

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

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

Evidence of prohibited discriminatory or other illegal credit practices

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

Record of opening and closing offices and providing services at offices

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

Alpine operates one branch office in Manhattan, New York and has no ATMs. In addition, Alpine offers mobile and internet banking, with a bill payment option. However, it does not accept loan applications via the internet banking platform. Alpine also added a Visa debit Card, which offers alternative source of transactions.

Distribution of Branches within the Assessment Area						
County	NA #	Low #	Moderate #	Middle #	Upper #	Total #
Bronx	0	0	0	0	0	0
Kings	0	0	0	0	0	0
New York	0	0	0	0	1	1

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*

Alpine's management and employees ascertain the credit needs of its community through the ordinary course of business. DFS examiners did not note any reference to meetings with local community groups or officials regarding credit needs of the community or credit services offered by Alpine.

- *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*

Alpine uses very little marketing to make members of the community aware of its credit services offered. Instead, it relies primarily on word of mouth, a network of mortgage brokers, and meetings that occur in the ordinary course of business to make the community aware of its credit services.

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

As noted under other lending related activities the Bank made five loans totaling \$10.8 million in community development loans, which included the following:

- A \$7.5 million loan to construct a six-story hotel in a moderate-income census tract. The hotel will provide jobs and help to revitalize and stabilize the area.
- A \$2.7 million loan for the construction of a seven apartment (all rent-stabilized) multifamily property located in a moderate-income census tract providing affordable housing.

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.

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

Small Business Loan

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

Low or Moderate Income ("LMI") Geographies

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

LMI Borrowers

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

LMI Individuals/Persons

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

LMI Penetration Rate

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

Low-Income Housing Tax Credit (LIHTC)

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

New Markets Tax Credit (NMTC)

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

Qualified Investment

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

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

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