



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
CONSUMER PROTECTION AND FINANCIAL ENFORCEMENT
DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: June 30, 2018

Institution: Bank Hapoalim B.M.- New York Branch
1120 Avenue of the Americas
New York, NY 10036

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 Bank Hapoalim B.M. – New York Branch (“BHNY”) 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 June 30, 2018.

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

Overall CRA Rating: "Satisfactory"

The Department evaluated BHNY's performance 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 July 1, 2013 through June 30, 2018. BHNY is rated "Satisfactory" or "2." This rating means BHNY had a satisfactory record of helping to meet community credit needs. This rating is the same as the prior rating based on the Department's Performance Evaluation dated June 30, 2013.

This rating is based on the following factors:

Community Development Test: "Satisfactory"

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

Community Development Lending: "Outstanding"

BHNY originated \$240.6 million in new community development loans during the evaluation period and had no outstanding loans from prior evaluation periods. This represents a 526% increase over the prior evaluation period and demonstrates an excellent level of community development lending.

Community Development Qualified Investments: "Satisfactory"

BHNY also made \$43.5 million in new qualified investments during the evaluation period, which included \$562,965 in grants, and had \$6.5 million in qualified investments outstanding from prior evaluation periods. This performance demonstrated a reasonable level of community development investments and grants over the course of this evaluation period.

Community Development Services: "Satisfactory"

BHNY demonstrated a reasonable level of community development services over the course of the evaluation period.

Innovative or Complex Practices

BHNY demonstrated a reasonable level of innovative or flexible community development practices through its relationships and investments with community development financial

intermediaries, such as community development financial institutions (“CDFI’s”) and designated low-income credit unions.

Responsiveness to Credit and Community Development Needs

BHNY demonstrated a reasonable level of responsiveness to credit and community development needs through its community development activities including lending, investments, grants, community development services, financial education, and outreach programs.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York Banking Law and Part 76 of the General Regulations of the Superintendent.

PERFORMANCE CONTEXT

Institution Profile

BHNY is a New York State-chartered and Federal Deposit Insurance Corporation (“FDIC”) insured branch. BHNY operates one branch in the City of New York that does no retail business. BHNY’s parent company, Bank Hapoalim B.M., is Israel’s largest bank. Bank Hapoalim B.M. was established in 1921 is headquartered in Tel Aviv, Israel.

The FDIC has granted BHNY the designation of a wholesale institution for CRA purposes. As a wholesale institution, BHNY does not engage in residential mortgage, home improvement, or small business lending for retail customers, except as an accommodation for its existing clients.

BHNY focuses primarily in extending credit and treasury banking services to Israeli and local companies that conduct business in the United States. Services provided include credit, foreign trade, dealing-room services, insurance, and investments. As a full service commercial bank, BHNY offers products and financing services that include time deposits, money market deposit accounts, sweep accounts, zero balance accounts, cash management, revolving credit lines, term loans, letters of credit, and online banking.

Per the Consolidated Report of Condition (the “Call Report”) as of June 30, 2018, filed with the FDIC, BHNY reported total assets of \$6.8 billion, of which \$3.2 billion were net loans and lease financing receivables. It also reported total deposits of \$2.9 billion, resulting in an LTD ratio of 110.3%. BHNY’s total assets decreased by 27% from the previous CRA evaluation of June 30, 2013.

According to the latest available comparative deposit data, as of June 30, 2017, BHNY had a market share of 0.19%, or \$2.5 billion, in a market of \$1.3 trillion, ranking it 33rd among 109 deposit-taking institutions in the assessment area.

The following is a summary of BHNY’s loan portfolio, based on Schedule C of BHNY’s December 31, 2013, 2014, 2015, 2016, 2017, and June 30, 2018, Call Reports:

TOTAL GROSS LOANS OUTSTANDING												
Loan Type	2013		2014		2015		2016		2017		6/30/2018	
	\$000's	%										
Construction Loans	185,414	9.3	169,282	6.9	230,110	6.6	342,884	10.8	340,834	10.4	377,094	11.8
1-4 Family Residential Mtg. Loans	16,840	0.8	26,755	1.1	22,265	0.6	20,700	0.6	42,633	1.3	39,352	1.2
Multifamily Mortgages	114,412	5.7	106,628	4.3	154,831	4.5	183,248	5.7	212,624	6.5	217,776	6.8
Commercial Mortgage Loans	141,285	7.1	291,498	11.8	421,968	12.2	610,083	19.1	888,726	27.1	820,122	25.6
Commercial & Industrial Loans	1,525,142	76.6	1,866,434	75.7	2,632,248	75.9	2,009,932	63.0	1,782,248	54.3	1,734,045	54.1
Loans for Purchasing or Carrying Securities	0	0.0	0	0.0	0	0.0	5,400	0.2	3,416	0.1	2,336	0.1
Other Loans	6,997	0.4	5,912	0.2	5,505	0.2	16,262	0.5	10,403	0.3	16,129	0.5
Total Gross Loans	1,990,090		2,466,509		3,466,927		3,188,509		3,280,884		3,206,854	

As illustrated in the above table, BHNY is primarily a commercial lender, with 79.7% of its loan portfolio in commercial mortgage and commercial and industrial loans as of June 30, 2018.

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

Assessment Area

BHNY's assessment area is comprised of Bronx, Kings, Queens, and New York counties. The assessment area did not change from the prior CRA evaluation.

There are 2,057 census tracts in the assessment area, of which 343 are low-income, 597 are moderate-income, 595 are middle-income, 459 are upper-income, and 63 tracts have no income indicated. Approximately 46% of census tracts in the assessment area are LMI tracts. For the prior evaluation, LMI census tracts comprised about 42% of census tracts in the assessment area. Some census tracts' income level designation changed since the prior evaluation.

The following table shows the assessment area census tracts by income level.

Assessment Area Census Tracts by Income Level						
County	N/A	Low	Mod	Middle	Upper	Total
Bronx	7	160	90	56	26	339
Kings	14	115	280	211	141	761
Queens	27	24	176	308	134	669
New York	15	44	51	20	158	288
Total	63	343	597	595	459	2,057

Demographic & Economic Data

The assessment area had a population of 7.9 million during the evaluation period. Approximately 12.6% of the population were over the age of 65, and 19% were under the age of sixteen.

Of the 1.7 million families in the assessment area, 33.5% were low-income, 16.5% were moderate-income, 15.6% were middle-income, and 34.4% were upper-income. There were 2.9 million households in the assessment area, of which 19.8% had income below the poverty level, and 4.2% were on public assistance.

The weighted average median family income in the assessment area was \$69,349.

There were 3.2 million housing units within the assessment area, of which 36.8% were one-to-four family units and 63% were multifamily units. A majority (63.8%) of the area's housing units were rental units, while 27% were owner-occupied. Of the 877,350 owner-occupied housing units, 26.4% were in LMI census tracts while 73.3% were in middle- and upper-income census tracts. The median age of the housing stock was 71 years, and the median home value in the assessment area was \$541,839.

There were 484,115 non-farm businesses in the assessment area. Of these, 85.7% were businesses with reported revenues of less than or equal to \$1 million, 7.5% reported revenues of more than \$1 million, and 6.9% did not report their revenues. Of all the businesses in the assessment area, 96.8% had less than fifty employees, while 91% operated from a single location. The largest industries in the area were services (47.4%), retail trade (15.7%), and finance, insurance and real estate (9.7%); 9.7% 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 declined each year during the evaluation period, from 7.7% in 2013 to 4.7% in 2017. Queens County had the lowest five year average unemployment rate at 5.5%. Bronx County had the highest rate but showed the most improvement since 2013, decreasing from 11.8% in 2013 to 6.2% in 2017. The unemployment rates for all counties in the assessment area declined each year since 2013.

Assessment Area Unemployment Rate					
	Statewide	Bronx	Kings	Queens	New York
2013	7.7	11.8	9.4	7.7	8.8
2014	6.3	9.8	7.6	6.4	7.2
2015	5.3	7.8	5.9	5.0	5.7
2016	4.8	7.1	5.3	4.5	5.2
2017	4.7	6.2	4.6	4.0	4.5
Average	5.8	8.5	6.6	5.5	6.3

Community Information

DFS examiners interviewed a contact at a CDFI whose primary focus is community development of low-income New York City neighborhoods. This institution has nearly four decades of experience helping to develop the infrastructure of community-based organizations through technical and financial assistance, building capacity, sharing best practices, and brokering collaboration among government, nonprofit, and corporate partners in dealing with issues at the community level.

This contact mentioned the following pertinent points in regard to the local community:

- Although New York City's overall economy is strong and growing, the benefits are not necessarily trickling down to LMI New Yorkers.
- Unemployment rates have hit historic lows and private sector job growth is strong, but primarily in higher-wage industries.
- Rent and asset price increases across the New York City are putting a strain on the LMI community. Job growth in LMI communities has not been strong;
- New York City's affordable housing vacancy rate continues to be very low and there is very little affordable housing stock available.
- Obtaining homeownership financing remains particularly difficult for LMI households in New York City because of the high cost of homeownership.

In addition, the contact stated it would be beneficial for more banks to partner with local CDFI's because these CDFI's can function as intermediaries to better connect the capital markets to the local communities, as well as deploy investments and donated funds optimally in local neighborhoods and with local partners.

DFS examiners interviewed a second community contact at a local nonprofit organization that offers programs to provide affordable housing, offer opportunities for individuals and groups to become and remain economically independent, increase understanding of and access to healthcare, and provide substantive educational programs for adults and young people. The organization serves Manhattan and the Bronx (with a concentration in central Harlem) as well as areas outside the assessment area. This contact mentioned the following in regards to the local community:

- There is a vast population of LMI individuals in central Harlem with 50% of the population below the poverty level and less than 2% of businesses owned by minorities. There is a great need for start-up business and employment programs.
- There are opportunities for local financial institutions to participate in the community. The organization holds workshops and lenders are invited to participate. Workshops include homebuyer expos, mortgage programs, senior programs, and start-up and small business programs.

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- Local financial institutions are involved in the community and some have provided financial assistance through donations and or grants.

PERFORMANCE TEST AND ASSESSMENT FACTORS

The Department evaluated BHNY 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 BHNY’s record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications; evidence of prohibited discriminatory or other illegal credit practices; the institution’s record of opening and closing offices and providing services at offices; process factors such as activities to ascertain credit needs; and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

The evaluation period was July 1, 2013 through June 30, 2018.

At its **prior** Performance Evaluation, as of June 30, 2013, DFS assigned BHNY a rating of “2,” reflecting a “Satisfactory” record of helping to meet community credit needs.

Current CRA Rating: “Satisfactory”

Community Development Test: “Satisfactory”

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

BHNY originated \$240.6 million in new community development loans during the evaluation period and had no outstanding loans from prior evaluation periods. BHNY also made \$43.5 million in new qualified investments during the evaluation period, which included \$562,965 in grants, and had \$6.5 million in qualified investments outstanding from prior evaluation periods.

A more detailed description of the bank’s community development activity follows.

Community Development Lending: “Outstanding”

BHNY originated \$240.6 million in new community development loans during the evaluation period and had no outstanding loans from prior evaluation periods. This represented a 526% increase over the prior evaluation period, and demonstrated an excellent level of community development lending.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	4	12,200		
Economic Development	13	62,587		
Community Services	9	75,404		
Revitalize/Stabilize	5	90,450		
Total	31	240,641	0	0

Below are some highlights of BHNY’s community development lending.

Affordable Housing

- In 2017, BHNY provided \$3.5 million in financing for the construction of an apartment building in a moderate-income census tract in Brooklyn, NY. The apartments are one-bedroom rent-stabilized units and will remain so under a tax abatement agreement with the City of New York.

Economic Development

- BHNY extended five loans totaling \$23 million to an organization whose mission is to promote the business prosperity and economic welfare of the State of New York by providing loans to small businesses, including start-ups and women-owned businesses. BHNY funding helped promote economic growth of women-owned and small businesses.

Community Services

- In 2018, BHNY extended a \$30 million loan for the acquisition and improvement of a 189-bed skilled nursing facility located in Brooklyn, NY. The majority of patients are Medicaid recipients. BHNY funding helped provide medical care and health related services to the seniors living in the surrounding LMI geographies within the assessment area.

- In 2016, BHNY extended a \$15 million mortgage loan as part of a \$99 million loan package for a 744-unit skilled nursing facility located in a low-income census tract in the Bronx. The nursing facility serves low-income seniors, and the majority of its patients are Medicaid recipients. The facility's goal is to empower older adults and enhance their well-being through purpose and innovative health care services.

Revitalize/Stabilize

- In 2014, BHNY extended a \$45 million construction loan for the acquisition of a property located in a moderate-income census tract in Harlem. BHNY funding helped with the construction of a six-story, 174,417 square foot retail development. The construction project helped revitalize LMI geographies and create job opportunities for LMI individuals.
- In 2017, BHNY extended an \$18 million loan as refinancing for a commercial condominium building operating as a 160-room hotel located in a moderate-income census tract in Queens. This financing helped revitalize the area, while retaining and creating job opportunities for LMI individuals.

Community Development Investments: "Satisfactory"

BHNY made \$43.5 million in new qualified investments, which included \$562,965 in grants, during the evaluation period and had \$6.5 million in qualified investments outstanding from prior evaluation periods. Investments increased 36% compared with the prior evaluation. Grants increased 235% from the prior evaluation period. This performance demonstrated a reasonable level of community development investments and grants.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	4	5,000		
Economic Development	39	37,920	3	6,500
Community Services				
Other (Please Specify)				
Total	43	42,920	3	6,500
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	13	42		
Economic Development				
Community Services	124	521		
Other (Please Specify)				
Total	137	563		

Below are highlights of BHNY's community development investments.

- BHNY invested and annually renewed certificates of deposit with four credit unions for a total investment of \$1.7 million during the evaluation period. These credit unions are CDFI's that provide banking services to LMI individuals and financing to small businesses in the assessment area.
- BHNY invested and annually renewed its certificate of deposit account registry service for a total investment of \$31.3 million with two CDFI's that provide financial products and services to the unbanked and underbanked.
- BHNY invested \$5 million in a publicly traded mutual fund created for banks to assist with CRA investment activity participation.
- BHNY invested \$5 million in a certified SBA 7(a) community development loan fund whose primary mission is promoting permanent job creation for LMI individuals employed by small businesses.

BHNY made a total of \$562,965 in grants and donations to various organizations, partnerships and foundations in the assessment area. These organizations provide a range of services such as: shelter and community services, food, legal services, financial literacy programs, employment training, and financial advice to needy families and individuals in the assessment area. BHNY's practice has been to donate funds to many of the same organizations year after year, with an increase typically each year. The following are highlights of the BHNY's grant activities:

- BHNY made a \$10,000 grant to a nonprofit organization that is committed to developing the skills of untapped talent in underserved and veteran communities by providing education, training mentorship, and job placement. The organization has placed more than 3,800 individuals.
- BHNY made \$200,000 in grants to a nonprofit organization that provides care for people in need. The organization's programs include providing food to the hungry, and it feeds hundreds of families per week.
- BHNY donated \$49,500 to a local organization that runs a financial education program that creates and delivers financial education in schools, community centers, churches, and clubs in low-income communities.
- BHNY provided \$38,000 to a local middle school serving low-income students in the Bronx. The schools continues to support students through high school and beyond by providing guidance, tutoring, and financial support.

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- BNHY donated approximately \$40,000 to a local community organization that provides several programs, including transitional and permanent supportive housing, to incarcerated women and their children upon their release.
 - BNHY made \$22,500 in grants to a local nonprofit CDFI that offers several programs including support for the creation of safe, affordable and quality housing for low-income and vulnerable residents in underserved communities. These individuals include seniors, veterans and the formerly homeless. The CDFI has financed more than 376,000 homes.

Community Development Services: “Satisfactory”

BHNY demonstrated a reasonable level of community development services over the course of the evaluation period. Below are some highlights of BHNY’s community development services.

- Throughout the evaluation period, BHNY employees provided a significant number of financial education classes to teens, working adults, and seniors through the New York City Coalition for Debtor Education Program with a number of community organizations, including those involved in non-traditional employment for women, child services, senior services, and many other social services for those in need.
- During each year of the evaluation period, BHNY ran a student internship program for LMI 11th and 12th graders who spent one day a week at the bank for the full school year.
- A member of senior management serves on the board of a local charitable organization working with Jewish community groups that sponsor educational, cultural, and social events.
- A member of the bank’s legal staff provided financial and legal advice to a local community group in the Bronx that provides meals and services to the homeless in the area.

Innovative Practices

BHNY demonstrated a reasonable level of innovative or flexible community development practices through its relationships and investments with community development financial intermediaries, such as CDFI’s and designated low-income credit unions.

Responsiveness to Credit and Community Development Needs

BHNY demonstrated a reasonable level of responsiveness to credit and community development needs through its community development activities, including lending, grants, community development services, financial education, and outreach programs.

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

BHNY's CRA activities are directed and monitored by the CRA Committee with oversight by the Branch Executive Committee. The CRA Committee meets twice per year and receives a quarterly CRA report issued by the CRA Officer. The quarterly CRA report shows detailed year-to-date performance of CRA community development activities and is distributed to the CRA Committee members and to senior branch staff.

In addition, the internal audit and compliance departments both audit the CRA-related functions of the bank on a regular basis and circulate reports to the CRA Committee and senior management.

Discrimination and other illegal practices

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

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

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

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

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

BHNY did not open or close any branches since the prior evaluation. As a wholesale bank, BHNY 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.*

The CRA Officer attends programs sponsored by not-for-profit groups and schedules meetings with existing not-for-profit customers, grantees, and area community groups. The CRA Officer also seeks input from bank employees based upon their community interaction as volunteers for community-based organizations.

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- *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, BHNY does no direct marketing. However, it has various outreach activities. The CRA Officer attends industry meetings and conferences, and often meets directly with nonprofit organizations, CDFI's, and local government officials. Through such outreach activities and board memberships in local community organizations, BHNY is able to spread awareness of its credit-related programs.

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 noted no other factors.

GLOSSARY

Aggregate Lending

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 Metropolitan Statistical Area ("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 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.