



**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:** March 31, 2013

**Institution:** Bank of Baroda, New York Branch  
One Park Avenue  
New York, NY 10016

**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 of Baroda New York Branch (“BOBNYB”) prepared by the New York State Department of Financial Services (the “Department” or “DFS”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of March 31, 2013.

Section 28-b of the New York State 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 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 record of meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary (“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 State 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"**

BOBNYB's performance was evaluated according to the community development test for wholesale or limited purpose banking institutions pursuant to Part 76.11 of the General Regulations of the Superintendent. The assessment period included calendar years of 2010, 2011, 2012, and 1<sup>st</sup> quarter of 2013. BOBNYB is rated "2" indicating a "Satisfactory" record of helping to meet community credit needs. This rating represents the same rating that the bank received at the prior DFS assessment dated December 31, 2009.

This rating is based on the following factors:

### **Community Development Activity (Loans, Investments, Services): "Satisfactory"**

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

#### **Community Development Loans: "Satisfactory"**

During the evaluation period, BOBNYB originated \$13 million in new community development loans, and still had \$3 million outstanding from prior evaluation periods. This demonstrated an adequate level of community development lending over the course of the evaluation period

#### **Community Development Qualified Investments: "Satisfactory"**

During the evaluation period, BOBNYB made \$3 million in new qualified community development investments including \$72,000 in grants. This demonstrated an adequate level of community development investments over the course of the evaluation period.

#### **Community Development Services: "Needs to Improve"**

BOBNYB demonstrated a poor level of community development services over the course of the evaluation period.

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

BOBNYB did not use any innovative or complex community development practices.

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

BOBNYB demonstrated an adequate level of community development services over the course of 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 State Banking Law and Part 76 of the General Regulations of the Superintendent.*

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## **PERFORMANCE CONTEXT**

### **Institution Profile:**

Bank of Baroda was established in 1908 and functioned as a provincial bank until it was nationalized in 1969. Since then, Bank of Baroda has expanded all over India and operates a network of 4,340 domestic branches in India, and 93 overseas branches. In 1997, it went public and sold 33.8% of its stock on the Mumbai Stock Exchange Ltd. The government of India held 55.41% of the shares of Bank of Baroda. Bank of Baroda is one of the five largest banks, in terms of assets, in India.

Chartered in 1978, Bank of Baroda New York Branch ("BOBNYB") is a commercial bank located in New York City. BOBNYB is a wholly owned subsidiary of Bank of Baroda. Although insured by the Federal Deposit Insurance Corporation ("FDIC"), BOBNYB's operations are wholesale in nature. It received the wholesale institution designation from FDIC on October 2, 1997, for Community Reinvestment Act ("CRA") purposes.

BOBNYB's main objective is to maintain a U.S. presence and to finance trades between India and the United States. Operations are focused on India-related trade financing and extensions of credit to local Indian customers.

Per the Consolidated Report of Condition (the Call Report) filed as of March 31, 2013 with the Federal Deposit Insurance Corporation ("FDIC"), BOBNYB reported total assets of \$6.7 billion, of which \$4.9 billion were net loans and lease finance receivables. It also reported total deposits of \$4.1 billion, resulting in a loan-to-deposit ratio of 120%. Compared to the previous evaluation of December 31, 2009, BOBNYB's assets increased more than three-fold, from \$1.98 billion to \$6.7 billion due to a significant increase in trade finance businesses between BOBNYB's clients in the United States and India. BOBNYB's loan portfolio also increased significantly from \$1.3 billion as of 12/31/2009 to \$4.9 billion, as shown in the chart on the following page.

According to the latest available comparative deposit data as of June 30, 2012, BOBNYB obtained a market share of 0.4%, or \$3.3 billion in a market of \$784.3 billion inside its market, ranking it 21st among 119 deposit-taking institutions in the assessment area.

The following is a summary of BOBNYB's loan portfolio, based on its Report of Assets and Liabilities, Schedule C of the bank's December 31, 2010, December 31, 2011, December 31, 2012 and March 31, 2013 Call Reports:

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	12/31/2010		12/31/2011		12/31/2012		3/31/2013	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Commercial mortgage loans	1,348	0.1	554	0.0	333	0.0	267	0.0
Loans To Commercial Banks in the U.S.	0	0.0	0	0.0	60,000	2.1	200,000	4.1
Loans To Foreign Banks in Foreign Countries	1,639,330	83.7	2,331,402	81.4	3,572,918	83.3	4,045,452	82.4
Commercial Industrial-U.S. Addressess	109,125	5.6	250,989	8.8	330,815	11.6	242,578	4.9
Commercial Industrial Non-U.S. Addressess	208,273	10.6	280,918	9.8	324,518	11.3	418,348	8.5
Total Gross Loans	1,958,076		2,863,863		4,288,584		4,906,645	

As illustrated in the above chart, BOBNYB's primary business is trade financing, with 82.4% of its loan portfolio in foreign banks in foreign countries as of 3/31/2013, followed by 8.5% of its loan portfolio in commercial industrial loans to non-U.S. addresses.

*There are no known financial or legal impediments that adversely impacted BOBNYB's ability to meet the credit needs of its community.*

#### **Assessment Area:**

BOBNYB's assessment area ("AA") is comprised of the five counties of New York City in their entirety: Bronx, Kings, New York, Queens, and Richmond.

There are 2,168 census tracts in the area, of which 292 are low-income, 578 are moderate-income, 654 are middle-income, 580 are upper-income and 64 are tracts with no income indicated. Bronx County has the highest percentage of low-to-moderate income census tracts at 67.8% while Richmond County has the least number of low- to-moderate income census tracts at 9.9%.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Moderate	Middle	Upper	Total	LMI %
Bronx	10	129	101	64	35	339	67.8
Kings	13	108	269	234	137	761	49.5
New York	12	37	65	23	151	288	35.4
Queens	26	16	134	303	190	669	22.4
Richmond	3	2	9	30	67	111	9.9
Total	64	292	578	654	580	2,168	40.1

*The assessment area appears reasonable based upon the location of BOBNYB's offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.*

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## **Demographic & Economic Data**

The AA had a population of 8.2 million during the examination period. Approximately, 11.9% of the population were over the age of 65 and 19.1% were under the age of 16.

Of the 1.8 million families in the AA, 29.9% were low-income, 16.9% were moderate-income, 16.7% were middle-income and 36.5% were upper-income families. There were 3.0 million households in the AA, of which 18.1% had income below the poverty level and 4.1% were on public assistance.

The weighted average of the median family income within the AA was \$65,513. The U.S. Department of Housing and Urban Development (“HUD”) estimated median family income for the area as \$66,000 in 2013.

There were 3.3 million housing units within the AA, of which 40.1% were one- to four-family units, and 59.9% were multifamily units. A majority (61%) of the area’s housing units were rental-occupied, while 30.1% were owner-occupied. Of the one (1) million owner-occupied housing units, 20.5% were in low- and moderate-income census tracts while 79.5% were in middle- and upper-income census tracts. The median age of the housing stock was 67 years and the median home value in the AA was \$526,503.

There were 636,017 non-farm businesses in the AA. Of these, 71.9% were businesses with reported revenues of less than or equal to \$1 million, 5.4% reported revenues of more than \$1 million and 22.7% did not report their revenues. Of all the businesses in the AA, 78.4% were businesses with less than fifty employees while 93.7% operated from a single location. The largest industries in the area were services (44.6%), followed by retail trades (15.1%) and finance, insurance and real estate (8.9%); 14.2% of businesses in the AA were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State in 2013 was 7.7%, down from 8.6% in 2010. Bronx County showed the highest unemployment rate in the assessment area. During the evaluation period, the unemployment rate was higher in Bronx and Kings Counties than the statewide rate. New York County enjoyed the lowest unemployment rate among all other counties in all years.

<b>Assessment Area Unemployment Rate</b>						
	Statewide	Bronx	Kings	New York	Queens	Richmond
2010	8.6%	12.8%	10.3%	8.1%	8.7%	8.8%
2011	8.2%	12.4%	9.8%	7.5%	8.1%	8.3%
2012	8.5%	12.7%	9.9%	7.7%	8.3%	8.5%
2013	7.7%	11.8%	9.4%	7.2%	7.8%	7.8%

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## **Community Information**

Examiners contacted two non-profit organizations for community information, a non-profit housing organization serving LMI areas for community information, and a micro-lender providing affordable low cost small business loans to entrepreneurs.

Representatives of the organizations cited the lack of affordable housing for LMI individuals as a significant problem in the AA. New York City is a high cost housing area and most residences are multi-family rental apartment buildings. The number of home foreclosures was elevated during the evaluation period, with a high percentage of foreclosures in New York City concentrated in LMI neighborhoods. Bank financing is not readily available to LMI families due to strict lending requirements.

The representatives also stated that small business owners need alternative sources of financing to grow their businesses and have experienced difficulties securing credit from traditional bank financing. Subsequently, small businesses have increasingly relied on non-depository financial institutions for their credit needs.

The community contacts commented that local financial institutions should do the followings:

- Work with local community organizations to provide financial education, foreclosure counseling, mortgage payment relief or loan modification to distressed homeowners to avert home foreclosures.
- Help eligible homebuyers with down payment assistance grants.
- Assist small businesses with easy capital access and affordable low cost loans, especially small loan amounts ranging from \$1,000 to \$35,000.
- Contribute more financial support through low cost loans and grants to non-profit organizations and community development financial institutions, as these institutions are structured to provide financing and services directly to LMI individuals and local communities.

BOBNYB was not mentioned in any negative context during the interviews.

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## **PERFORMANCE TEST AND ASSESSMENT FACTORS**

*DFS evaluates the CRA performance of wholesale banks pursuant to the “community development test,” as provided for in Section 76.11 of the General Regulations of the Superintendent. 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 BOBNYB’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; 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 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 assessment period included calendar years 2010, 2011, 2012, and 1<sup>st</sup> quarter of 2013.

BOBNYB received a rating of “2”, reflecting a “Satisfactory” record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by DFS as of December 31, 2009.

**Current CRA Rating:** “Satisfactory”

**Community Development Test:** “Satisfactory”

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

During the evaluation period, BOBNYB originated \$13 million in new community development loans, and still had \$3 million outstanding from prior evaluation periods. BOBNYB made \$3 million in new community development investments, including \$72,000 in community development grants. The level of community services however, needs to improve.

A more detailed description of BOBNYB’s community development activity follows:

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Community Development Lending: “Satisfactory”

During the evaluation period, BOBNYB originated \$13 million in new community development loans, and still had \$3 million outstanding from prior evaluation periods. This demonstrated an adequate level of community development lending over the course of the evaluation period<sup>1</sup>.

<b>Community Development Loans</b>				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	1	6,000	2	3,020
Economic Development	4	6,950		
Community Services				
Other (Please Specify)				
<b>Total</b>	<b>5</b>	<b>12,950</b>	<b>2</b>	<b>3,020</b>

Below are highlights of BOBNYB’s community development lending.

- BOBNYB renewed a \$2 million line of credit from 2010 to 2012 for a non-profit Community Development Financial Institution (“CDFI”), an affordable housing organization in New York City. The organization is a leader in revitalizing underserved neighborhoods and creating affordable housing opportunities within the LMI geographies of BOBNYB’s AA.
- BOBNYB originated a \$2.5 million loan (\$2 million working capital loan and \$0.5 million term loan) to an educational services provider. The provider is a New York State approved local education agency, which offers various improvement and achievement educational programs including Supplementary Education Services. Under the “No Child Left Behind Act”, students from LMI families and geographies are eligible to use these after-school tutoring services.
- BOBNYB renewed a \$100,000 credit line in 2010 and 2011 to a small business which operates in a moderate income census tract within BOBNYB’s AA. This Small Business Administration (SBA) loan was originated in 2008 with 50% coverage guaranteed by SBA.

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

Community Development Investments: “Satisfactory”

During the evaluation period, BOBNYB made \$3 million in new qualified community development investments including \$72,000 grants, demonstrating an adequate level of community development investments over the course of the evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing				
Economic Development	6	\$ 2,915		
Community Services				
Other (Please Specify)				
<b>Total</b>	<b>6</b>	<b>\$ 2,915</b>	<b>0</b>	<b>0</b>
	# of Grants	\$000	Not Applicable	
CD Grants				
Affordable Housing	4	\$ 27		
Economic Development				
Community Services	3	\$ 45		
Other (Please Specify)				
<b>Total</b>	<b>7</b>	<b>\$ 72</b>		

Below are highlights of BOBNYB’s community development investments and grants.

- BOBNYB renewed five certificates of deposits with two certified Community Development Financial Institutions (“CDFI”), totaling \$2.4 million. These two CDFIs provide services and dedication to the economic viability and revitalization of underserved neighborhoods.
- BOBNYB contributed \$23,500 to a leading non-profit affordable housing organization in New York City. The organization’s mission is to revitalize underserved neighborhoods by creating and preserving affordable housing, and to provide homeownership education.
- BOBNYB contributed \$45,000 to a New York City based organization providing food and meals to the underserved and LMI individuals.

Community Development Services: “Needs to Improve”

BOBNYB demonstrated a poor level of community development services over the course of the evaluation period. BOBNYB’s Chief Executive Officer served on the Advisory Board of a non-profit affordable housing organization in New York City in 2012. BOBNYB’s officers and staff should increase their level of involvement in community development services.

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### **Innovative Practices:**

BOBNYB did not use any innovative or complex community development practices.

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

BOBNYB demonstrated an adequate level of responsiveness to credit and community development needs.

### **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 Community Reinvestment Act**

BOBNYB's CRA program is overseen by its New York Performance Monitoring Committee ("NYPMC") which is chaired by BOBNYB's U.S. Chief Executive Officer and includes the Chief Compliance (and CRA) officer, Assistant General Managers, Chief Managers, and Deputy Managers. NYPMC meets on a monthly basis and monitors and reviews BOBNYB's CRA policies, procedures, CRA statement, performance, training activities and other related aspects. NYPMC approved the most recent CRA statement in January 2013.

#### **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 any 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 any evidence of prohibited discriminatory or other illegal practices.

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

BOBNYB has not opened or closed any branches since the prior evaluation. BOBNYB has only one branch located at One Park Avenue, New York. As a wholesale bank, BOBNYB does not offer retail services at its office.

#### **Process Factors**

- *Activities conducted by the banking institution to ascertain the credit needs of its*

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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.

BOBNYB is designated as a wholesale institution by the FDIC for CRA purposes and its business focuses on international trades between clients in United States and India. However, BOBNYB maintains close associations with non-profit organizations, CDFIs, community groups, business groups, religious and ethnic institutions to ascertain the credit needs of its community.

- 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, BOBNYB does not have direct programs for marketing its products and services. BOBNYB sponsors special events hosted by community development organizations, business groups, and trade associations, to help in promoting community activities and maintaining ongoing relationships with its clients. Events held in the tri-state area included the celebration of religious and cultural festivals such as the Indian Annkutt religious celebration; ethnic parades such as India Day Parade and the 63<sup>rd</sup> anniversary of India's independence; and sports tournaments such as the Sewa charity cricket tournament. During these events, BOBNYB advertised its products and services to its clients and maintained banking relationships with local communities.

**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 none.

## 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

## **Loans to Small Businesses**

Small business loans to businesses with gross annual revenues of \$1 million or less.

## **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.