



**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 INDIA, NY BRANCH  
277 PARK AVENUE  
NEW YORK, NY 10172

**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 India, New York Branch “BOINY” 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 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 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: "Needs to Improve"**

BOINY'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 covered January 1, 2010 through March 31, 2013. DFS assesses BOINY's record of helping to meet community credit needs as "3" or "Needs to improve." This is the same rating DFS assigned BOINY at the prior exam, based on DFS's Performance Evaluation dated December 31, 2009.

This rating is based on the following factors:

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

BOINY demonstrated a poor level of responsiveness to the community development needs of its assessment area, considering its capacity and the need and availability of such opportunities for community development in its assessment area.

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

During the evaluation period, BOINY originated a \$3 million revolving line of credit and had no outstanding loan balance from the prior examination period. The ratio of community development loans to annualized total assets was 0.0162%, which is a poor level of community development lending.

#### **Community Development Qualified Investments: "Needs to Improve"**

During the evaluation period, BOINY had \$1.6 million in new qualified community development investments, including grants of \$257,000, and had \$1.2 million of investments in mortgage backed securities outstanding from prior evaluation periods. The ratio of community development investments to annualized total assets was 0.0161%, which is a poor level of community development investing.

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

BOINY needs to improve the level of its community development services. During the evaluation period, one employee served as a board member at a facility that provides child care services to LMI households.

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

BOINY did not make use of any innovative or flexible practices in its community development activities.

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

Given the volume of loans and investments compared to total assets and total deposits, number of employees involved in community development services, as well as the lack of innovative or flexible practices in its community development activities, BOINY demonstrated a poor level of responsiveness to credit and community development needs and should consider engaging in other CRA activities, including CD loans, investments, and services, where BOINY can help meet the credit needs of its community.

*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.*

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## **PERFORMANCE CONTEXT**

### **Institution Profile:**

BOINY is a branch of the Bank of India (the “Bank”), a foreign banking organization headquartered in Mumbai, India. The NY branch was licensed on December 1, 1978, and it provides the Bank with its main presence in the United States.

BOINY’s one New York State office is located at 277 Park Avenue, in New York, NY. Its primary business focus is to service the financial needs of Indian owned businesses in New York, New Jersey and nearby states. BOINY facilitates trade between Indian-owned businesses located in New York with entities located in India and other Far Eastern and African countries, providing commercial credit products such as letters of credit and lines of credit. BOINY also offers working capital demand loans, term loans and foreign exchange products to its commercial customers.

BOINY is not in the business of extending home mortgage, or consumer loans to retail customers. BOINY places particular emphasis on trade financing since it is engaged in a narrow niche of lending operations. It is designated a wholesale bank for CRA purposes, which designation has been acknowledged and approved by the Federal Deposit Insurance Corporation (“FDIC”).

As per the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002 or “FFIEC Report”) as of March 31, 2013, filed with FDIC, BOINY reported total assets of \$5.7 billion, of which \$4.7 billion were net loans and leases. It also reported total deposits of \$4.0 billion, resulting in a loan-to-deposit ratio of 117.5%. Net loans and leases represented 82.5% of total assets, of which 89% were loans to banks in foreign countries and 11% were commercial and industrial loans. Of this 11%, 4% were made to borrowers with U.S. addresses.

According to the latest available comparative deposit data as of March 31, 2013, BOINY had a market share of 0.50%, or \$4.3 billion in its market of \$850 billion, ranking it 19th among 112 deposit-taking institutions in BOINY’s assessment area.

The following is a summary of the bank’s loan portfolio, as of December 31, 2010, December 31, 2011, December 31, 2012 and March 31, 2013 from BOINY’s FFIEC Report.

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	2010		2011		2012		3/31/2013	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Non-farm residential real estate loans	3,526	0.2	3,224	0.1	3,430	0.1	3,412	0.1
Loans to other banks in foreign countries	1,056,682	68.1	2,110,873	81.6	3,889,173	87.7	4,214,646	89.4
Commercial & Ind. Loans-US addresses	236,296	15.2	214,490	8.3	239,544	5.4	172,473	3.7
Comm. & Ind.Loans-non US addresses	254,728	16.4	258,612	10.0	303,495	6.8	324,857	6.9
Total Gross Loans	1,551,232	100.0	2,587,199	100.0	4,435,642	100.0	4,715,388	100.0

BOINY extends loans to other banks in foreign countries and makes commercial and industrial loans to borrowers with non-U.S. addresses. These non-U.S. businesses represented 89.4% and 6.9%, respectively, as of March 31, 2013.

*There are no known financial or legal impediments that had an adverse impact on BOINY's ability to meet the credit needs of its CRA designated assessment area.*

#### **Assessment Area:**

BOINY's assessment area ("AA") is comprised of the five counties of New York City in their entirety: New York, Kings, Queens, Bronx 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 have no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Moderate	Middle	Upper	Total	LMI %
New York	12	37	65	23	151	288	35.4
Kings	13	108	269	234	137	761	49.5
Queens	26	16	134	303	190	669	22.4
Bronx	10	129	101	64	35	339	67.8
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 BOINY's offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

#### **Demographic & Economic Data:**

The AA had a population of 8.2 million during the examination period. About 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 median family income in the AA was \$65,513.

There were 3.3 million housing units within the assessment area, of which 59.9% were multifamily units and 40.1% were one- to four-family units. A majority (61.0%) of the area's housing units were renter-occupied while 30.1% were owner-occupied.

Of the 2.0 million renter-occupied housing units, 53.1% were in low- and moderate-income census tracts while 46.9% were in middle- and upper-income census tracts. Average monthly gross rent was \$1,123.

Of the 1.01 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 68 years and the median home value in the assessment area 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 businesses (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 for the last three years of the evaluation was 8.5%. Bronx County showed the highest unemployment rate at an average 3-year rate of 12.6%, much higher than the statewide average; Kings (Brooklyn) County at 10% was also higher than statewide average, while the rates in Richmond, Queens and New York counties were on par with or below the statewide average.

<b>Assessment Area Unemployment Rate</b>						
Year	NYS	New York	Kings	Queens	Bronx	Richmond
2010	8.6%	8.1%	10.3%	8.7%	12.8%	8.8%
2011	8.3%	7.5%	9.8%	8.1%	12.4%	8.3%
2012	8.5%	7.7%	9.9%	8.3%	12.7%	8.5%
Ave.(3 yrs)	8.5%	7.8%	10.0%	8.4%	12.6%	8.5%
2013 *	8.2%	7.3%	9.4%	7.9%	11.8%	7.7%

\* January to May Average

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### **Community Information:**

DFS obtained information from several non-profit organizations serving the five boroughs of New York City. These non-profits, also certified community development financial institutions (“CDFIs”), provide alternative sources of financing for affordable housing projects and to small businesses, particularly those located in low- and moderate-income communities. Two of the non-profits also provide homeownership services such as a first time homebuyer program and foreclosure intervention assistance.

These organizations cited a lack of affordable housing alternatives for low- to moderate-income individuals since NYC is a high cost housing area. Affordable housing is still available in some parts, such as the Bronx, but bank financing has been difficult to obtain due to more strict credit requirements imposed by the banks than before. Foreclosure is still high for one to four family homeowners, owing mainly to a loss of jobs causing borrowers to be unable to pay their mortgages.

The community contacts, in addressing some of the economic conditions that permeate in the assessment area, particularly those affecting low- and moderate-income individuals and communities remarked that:

- Banks should provide more financial support through low cost loans and grants to non-profit organizations and CDFIs who are directly involved in providing services to LMI individuals and communities.
- Banks should have more physical presence in low-income and under-banked communities and coordinate with community based groups to effectively deploy funds and provide affordable banking products and services.

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

The assessment period included calendar years 2010, 2011 and 2012; and the quarter ended March 31, 2013.

At its **prior** Performance Evaluation as of December 31, 2009, DFS assigned BOINY a rating of “3”, which means that BOINY “Needs to Improve” its efforts to meet community credit needs.

**Current CRA Rating:** “Needs to Improve”

**Community Development Test:** “Needs to Improve”

BOINY demonstrated a poor level of responsiveness to the community development needs of its assessment area, considering its capacity, the need for (and availability of) opportunities for community development in its assessment area.

During the evaluation period, BOINY originated a \$3 million revolving line of credit and invested/renewed \$1.6 million in time deposits issued by CDFIs, with \$1.2 million of mortgage backed securities outstanding from prior periods. BOINY made \$257,000 in community development grants. Overall, BOINY had \$6.0 million in community development activities (loans, investments and grants) or an annualized ratio to annualized total assets of 0.032%.

Total assets during the evaluation period were \$5.7 billion compared to \$1.4 billion from the prior evaluation period. The annualized ratio of community development activities to annualized total assets decreased from 0.102% to 0.032%.

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

Community Development Lending: “Needs to improve”

During the evaluation period, BOINY originated a \$3 million revolving line of credit but had no outstanding loan balance from the prior examination period. The ratio of community development loans to annualized total assets was 0.0162% deemed a poor level of community development lending.

BOINY originated a revolving line of credit for \$3 million to a non-profit organization involved in providing affordable housing options to low income families. The organization provides homeownership education, financial assistance and community leadership.

<b>Community Development Loans</b>				
Purpose	This Evaluation Period		Outstanding from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	1	3,000		
Economic Development				
Community Services				
Other (Please Specify)				
<b>Total</b>	<b>1</b>	<b>3,000</b>	<b>0</b>	<b>0</b>

Community Development Investments: “Needs to Improve”

During the evaluation period, BOINY had \$1.6 million in renewed/extended time deposits maintained in CDFIs including grants of \$257,000, with \$1.2 million of investments in mortgage backed securities outstanding from prior evaluation periods. The ratio of community development investments to annualized total assets was 0.0161% compared to .0786% of the prior evaluation period.

<b>Community Development Investments and Grants</b>				
	<b>This Evaluation Period</b>		<b>Outstanding from Prior Evaluation Periods</b>	
	<b># of Inv.</b>	<b>\$000</b>	<b># of Inv.</b>	<b>\$000</b>
CD Investments				
Affordable Housing			7	\$ 1,156
Economic Development	3	\$ 1,563		
Community Services				
Other (Please Specify)				
<b>Total</b>	<b>3</b>	<b>\$ 1,563</b>	<b>7</b>	<b>\$ 1,156</b>
CD Grants	<b># of Grants</b>	<b>\$000</b>	<i>Not Applicable</i>	
Affordable Housing	5	\$ 44		
Economic Development	3	\$ 29		
Community Services	26	\$ 184		
Other (Please Specify)				
<b>Total</b>	<b>34</b>	<b>\$ 257</b>		

Below are highlights of community development investments and grants.

- Each year, during the evaluation period, BOINY renewed \$250,000 in time deposits with a certified CDFI. The CDFI is a federal savings bank headquartered in Harlem with branches predominantly located in LMI neighborhoods. BOINY also renewed \$250,000 in time deposits with another CDFI with a primary mission of promoting economic development, investments and job creation in Asian communities in New York City.
- BOINY made a total of \$257,000 in grants, to several non-profit organizations in New York City engaged in providing affordable housing and community services to low- to moderate-income New Yorkers, as well as promoting economic development in underserved communities.

For example, BOINY contributed \$34,000 to a non-profit providing homeowner services in New York City focusing on LMI individuals and small businesses; \$29,000 to an economic development agency in Bronx County aimed at neighborhood revitalization and assisting businesses to get started and grow; \$41,000 to a NPO tasked with providing meals and human companionship to the elderly; and \$14,000 to Bank on Manhattan, a public/private partnership aimed at helping “unbanked” New Yorkers to open checking accounts with just \$25 and save their hard earned money from paying check cashing fees.

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Community Development Services: “Needs to Improve”

During the evaluation period, a staff member at the branch served as a board member in a facility providing child care services to LMI households.

**Innovative Practices:**

BOINY did not make use of any innovative or flexible practices in its community development activities.

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

Given the volume of loans and investments compared to total assets and deposits, number of employees involved in community development services, as well as the lack of innovative or flexible practices in its community development activities, BOINY demonstrated a poor 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**

As a branch of a Foreign Banking Organization (FBO), BOINY does not have a board of directors. The board of directors of the Bank of India at the headquarters in Mumbai, India provides oversight to ensure BOINY’s CRA compliance through the local Management Committee. BOINY’s Management Committee, also operating as Compliance and CRA Committee consisted of the branch’s Chief Executive Officer and three Vice Presidents in charge of Credit, Compliance and Operations. The Management Committee reviews CRA plans and performance. The CRA Officer in turn, monitors CRA activities on a day-to-day basis and reports to the CRA Committee at least quarterly.

**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 BOINY.

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

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

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

BOINY maintains a single office at 277 Park Avenue, NY, NY since 1978. It has not opened or closed any branches or offices since the previous Performance Evaluation.

**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.

BOINY's activities to ascertain the credit needs of its assessment area include contacts with community groups engaged in providing affordable housing and various forms of community services to low- to moderate- income residents, as well as promoting economic development in underserved areas. BOINY ensures that these organizations they make grants to, have programs that benefit the LMI residents within the assessment area.

- 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

BOINY's staff keeps in touch with the officials of the community groups they give grants, to know about their programs and the financial challenges they are currently facing. BOINY conducted their marketing efforts by attending meetings and events sponsored by business organizations and American Indian community groups. BOINY also advertises in local newspapers, radio and TV stations.

**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 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.