



**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, 2014

**Institution:** Inter Audi Bank  
19 East 54<sup>th</sup> Street  
New York, NY 10022

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

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## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Inter Audi Bank (“IB”) 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 March 31, 2014.

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 in meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

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

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

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

DFS evaluated Interaudi Bank's ("IB") performance 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 ("GRS"). The assessment period covered January 1, 2010 to March 31, 2014. DFS assigns IB a rating of "2," indicating a "Satisfactory" record of helping to meet community credit needs.

This rating is based on the following factors:

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

IB's community development performance demonstrated a reasonable level of responsiveness to its assessment area's community development needs, considering the availability of community development opportunities in the assessment area and IB's capacity to meet those needs. IB addressed community development needs through community development loans, investments and services.

### **Community Development Lending: "Outstanding"**

During the evaluation period, IB originated \$30 million in new community development loans and had \$241,124 outstanding from the prior evaluation periods. The annualized ratio of the current period's average community development lending to average total assets was 0.7%, which was 0.4% greater than the prior evaluation period's average of 0.3%, demonstrating an excellent level of community development lending.

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

During the evaluation period, IB made \$755,523 in new qualified community development investments, including grants to 13 nonprofit organizations and had \$451,812 in investments outstanding from prior evaluation periods. The annualized ratio of the current period's average community development investments was 0.03%, which was slightly lower than the average for the prior evaluation period of 0.04%, demonstrating a reasonable level of community development investments.

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

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

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

IB engaged in complex community development lending.

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

IB demonstrated an adequate level of responsiveness to credit and community development needs. IB primarily concentrates its CRA efforts on working with financial intermediaries to fund community development and reinvestment projects within the assessment area.

*This Evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York Banking Law and GRS Part 76.*

## PERFORMANCE CONTEXT

### Institution Profile

Chartered in 1983, IB is a wholesale bank headquartered in New York City, New York. In addition to its New York operation, IB maintains a branch office in Miami, Florida which opened on May 1, 2003. IB also has two subsidiaries: Ameraudi Asset Management, Inc., and Ameraudi Investment Services. Both are located in New York City.

IB's customer base is primarily Arab and Lebanese-American businesses in New York, Florida and around the United States. IB provides commercial, personal and asset management services to both U.S. and foreign customers focusing on short-term, secured business and commercial loans. The majority of IB's 1-4 residential and small business loans are available through referrals to existing customers, as IB does not originate or purchase residential mortgages, housing rehabilitation, or home improvement, except as accommodations for existing customers.

Per the Consolidated Report of Condition (the "Call Report") as of March 31, 2014, filed with the Federal Deposit Insurance Corporation, IB reported total assets of \$1.5 billion, of which \$533.1 million were net loans and lease finance receivables. IB also reported total deposits of \$1.3 billion, resulting in a loan-to-deposit ratio of 40.9%.

According to the latest available comparative deposit data, as of June 30, 2013, IB had a market share of 0.08%, or \$648.8 million in a market of \$850.4 billion, ranking it 46th among 112 deposit-taking institutions in its assessment area consisting of Bronx, Kings, Queens, New York and Richmond counties. JP Morgan Chase Bank, BNY Mellon, Citibank, N.A., HSBC Bank USA and Bank of America, N.A. collectively control 75.7% of the deposit market share in the IB's assessment area.

The following is a summary of IB's loan portfolio, based on Schedule RC-C of the bank's December 31, 2010, 2011, 2012, 2013 and March 31, 2014 Call Reports.

<b>TOTAL GROSS LOANS OUTSTANDING</b>										
Loan Type	2010		2011		2012		2013		3/31/2014	
	\$000's	%	\$000's	%	\$000's	%			\$000's	%
1-4 Family Res. Mortgage Loans	136,393	33.2	164,209	37.3	219,090	44.1	227,910	42.0	229,185	42.8
Commercial & Industrial Loans	89,646	21.8	101,630	23.1	95,736	19.3	88,159	16.2	91,757	17.1
Commercial Mortgage Loans	128,338	31.2	139,978	31.8	133,994	27.0	150,843	27.8	145,052	27.1
Multifamily Mortgages	23,785	5.8	9,902	2.2	15,947	3.2	22,700	4.2	23,309	4.4
Consumer Loans	4,567	1.1	6,291	1.4	6,860	1.4	8,708	1.6	9,373	1.8
Construction Loans	17,743	4.3	6,767	1.5	16,396	3.3	36,869	6.8	30,424	5.7
Other Loans	10,465	2.5	11,930	2.7	9,043	1.8	8,056	1.5	6,183	1.2
<b>Total Gross Loans</b>	<b>410,937</b>	<b>100.0</b>	<b>440,707</b>	<b>100.0</b>	<b>497,066</b>	<b>100.0</b>	<b>543,245</b>	<b>100.0</b>	<b>535,283</b>	<b>100.0</b>

As illustrated in the above table IB is primarily a commercial lender, with 44.2% of its loan portfolio in commercial mortgage and commercial and industrial loans, as of March 31, 2014.

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

**Assessment Area**

IB's assessment area is comprised of the five boroughs of New York City: Bronx, Kings, Queens, New York and Richmond counties.

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.

<b>Assessment Area Census Tracts by Income Level</b>								
County	N/A	Low	Mod	Middle	Upper	Total	LMI %	LMI & Dis-tressed %
Bronx	10	129	101	64	35	339	67.8	68%
Kings	13	108	269	234	137	761	49.5	50%
New York	12	37	65	23	151	288	35.4	35%
Queens	26	16	134	303	190	669	22.4	22%
Richmond	3	2	9	30	67	111	9.9	10%
<b>Total</b>	<b>64</b>	<b>292</b>	<b>578</b>	<b>654</b>	<b>580</b>	<b>2,168</b>	<b>40.1</b>	<b>40%</b>

**Demographic & Economic Data**

Population and Income

The assessment area had a population of 8,175,133 during the evaluation period. About 11.9% of the population were over the age of 65, and 19.1% were under the age of sixteen.

Of the 1,842,289 families in the assessment area, 29.9% were low-income, 16.9% were moderate-income, 16.7% were middle-income and 36.6% were upper-income families. There were 3,047,249 households in the assessment area, 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 assessment area was \$65,513. The U.S. Department of Housing and Urban Development estimated median family income for the MSA to be \$66,000 in 2013. Bronx and Kings counties had weighted

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average median family incomes significantly lower than the MSA. The average family incomes for these counties were \$42,639 and \$54,363, respectively. Queens County had a MSA median family income of \$64,928. Richmond and New York counties exceeded the average MSA income in the assessment area. Richmond County had a MSA family income of \$83,600, and New York County had the highest MSA family income of \$104,415.

### Housing Characteristics

There were 3,343,424 housing units in the assessment area, with multifamily units accounting for 60.0% and 1-4 family units 40.0%. Rental housing units made up 61.0% of total housing units, while 30.1% were owner-occupied units.

Of the 2,040,592 rental units, 53.1% were in LMI census tracts while 46.9% were in middle- and upper-income census tracts. Among the five counties in the assessment area, Bronx had 81.9% of renter-occupied units in LMI census tracts and Kings had 63.5%. Average monthly gross rent was \$1,123.

Of the 1,006,657 owner-occupied housing units, 20.5% were in LMI census tracts, while 79.5% were in middle- and upper-income census tracts. The median age of the housing stock was 69 years, and the median home value was \$526,503.

### Business Demographics

There were 636,017 non-farm businesses in the assessment area. 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 assessment area, 78.4% were businesses with less than fifty employees while 94.0% operated from a single location. The largest industries in the area were services (44.6%), retail trade (15.1%), and finance, insurance & real estate (8.9%), while 14.2% of businesses were not classified.

### Unemployment Rates

According to the New York State Department of Labor, the average unemployment rate for New York State for the last four years was 8.2%. Bronx County had the highest average unemployment rate at 12.5%, followed by Kings County at 9.9%. New York County had the lowest unemployment rate of 7.7%. The annual average unemployment rates during the four-year period trended lower for New York State from 8.6% in 2010 to 7.7% in 2013. Among all five assessment area counties, Bronx County experienced the highest unemployment rate over the four-year period. Its average 4-year rate exceeded the state rate by 4.3%.



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<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	8.2	8.3
2012	8.5	12.8	10	7.8	8.4	8.7
2013	7.7	11.8	9.4	7.2	7.8	7.8
Avg (4 yrs.)	8.2	12.5	9.9	7.7	8.3	8.4

### **Community Information**

In preparing CRA evaluations, examiners contact community representatives to gain insight regarding the credit needs and economic conditions of the assessment area. A community contact interview was conducted on January 13, 2014 with the executive director of a financial education and career counseling organization in New York. The organization serves the five boroughs of New York City by assisting consumers, particularly LMI individuals who need to improve their capability to manage their financial affairs. The contact identified several communities that are in need of banking services for low-income individuals in the South Bronx, Queens, Brooklyn and the lower east side of Manhattan. The contact emphasized the need for financial empowerment programs and credit counseling services throughout the unbanked and underserved population.

Another interview was conducted with the president of a community development corporation in central Brooklyn. This nonprofit organization partners with residents and businesses to improve the quality of life and transform neighborhoods into safe places to live and work by fostering economic self-sufficiency and enhancing family stability and growth. The community contact indicated the need for more affordable rental housing, in addition to greater availability of and access to low-cost products and services from financial institutions in the community.

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## **PERFORMANCE TEST AND ASSESSMENT FACTORS**

*DFS evaluated IB under the wholesale bank performance standards, which consist of the “community development test” under GRS Section 76.11, which includes (1) The number and amount of community development loans, qualified investments or community development services; (2) the use of innovative or complex practices in providing CRA-qualified community development loans, investments, and services (including the extent to which such investments are not routinely provided by private investors); and (3) the bank’s responsiveness to credit and community development needs. In addition, DFS considered the following factors in assessing IB’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; IB’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 the period from January 1, 2010 thru March 31, 2014.

The **prior** Performance Evaluation, as of December 31, 2009, DFS assigned IB a rating of “2,” reflecting a “Satisfactory” record of helping to meet community credit needs.

### **Current CRA Rating: “Satisfactory”**

#### **Community Development Test: “Satisfactory”**

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

IB’s community development program operates primarily through working with financial intermediaries to serve the credit needs of the assessment area, with special attention to the needs of LMI individuals. In addition, IB’s officers serve in volunteer positions in community development organizations.

As of March 31, 2014, IB’s community development loans, qualified investments and grants totaled \$31.5 million, and IB’s assets were \$1.5 billion. The current activity is a 483% increase from the prior evaluation period, while assets grew 17.8%. IB originated \$30 million in new community development loans and had \$241,124 outstanding from prior evaluation periods. Also, during the evaluation period, IB committed \$452,719 in new community development investments and had \$451,812 outstanding from prior evaluation periods. Finally, IB contributed \$302,804 in community development grants. A more detailed description of IB’s community development activity follows.

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### Community Development Lending: "Outstanding"

IB originated \$30 million in new community development loans, and had \$241,124 outstanding from prior evaluation periods. The annualized ratio of community development loans to average total assets was 0.7%, which was 0.4% greater than the average for the prior evaluation period, which was 0.3%. This demonstrated an excellent level of community development lending over the course of the evaluation period.

<b>Community Development Loans</b>				
	<b>This Evaluation Period</b>		<b>Outstandings from Prior Evaluation Periods</b>	
<b>Purpose</b>	<b># of Loans</b>	<b>\$000</b>	<b># of Loans</b>	<b>\$000</b>
Affordable Housing				
Economic Development			2	241
Community Services	1	6,000		
Revitalize and Stabilize	2	24,000		
<b>Total</b>	<b>3</b>	<b>30,000</b>	<b>2</b>	<b>241</b>

Below are examples of IB's community development lending.

- IB originated a \$6 million line of credit for a corporation to be used for the construction of a commercial building that provides accommodations for medical offices. The subject property is located on the western edge of the Gravesend section of Brooklyn, a moderate-income census tract. The construction of this building provides the residents of this community with healthcare services.
- A \$3 million line of credit was extended to a corporation to construct a multi-use commercial property, which houses a charter school in a low-income geography in the Brownsville section of Brooklyn. An additional extension of \$2 million was granted during the evaluation period for a combined total of \$5 million. The construction of the subject property serves to provide essential community wide infrastructure, attract new and retain existing residents, as well as employ and provide services to area residents.
- IB originated a \$19 million loan to a corporation for the construction of a shopping center located at the edge of a middle-income area. The shopping center stabilizes the adjacent LMI communities by providing needed shopping services that are not available in those communities.

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Community Development Investments: “Satisfactory”

During the evaluation period, IB made \$755,523 in new qualified community development investments, including grants, to 13 nonprofit organizations and had \$451,813 in investments outstanding from prior evaluation periods. The annualized ratio of community development investments to average total assets was 0.03%, which was slightly lower than prior evaluation period’s 0.04%, demonstrating a reasonable level of community development investments.

<b>Community Development Investments and Grants</b>				
	<b>This Evaluation Period</b>		<b>Outstandings from Prior Evaluation Periods</b>	
	<b># of Inv.</b>	<b>\$000</b>	<b># of Inv.</b>	<b>\$000</b>
CD Investments				
Affordable Housing				
Economic Development	1	\$ 453	2	452
Community Services				
Other (Please Specify)				
<b>Total</b>	<b>1</b>	<b>\$ 453</b>	<b>2</b>	<b>452</b>
	<b># of Grants</b>	<b>\$000</b>	<i>Not Applicable</i>	
CD Grants				
Affordable Housing	9	\$ 244		
Economic Development				
Community Services	22	\$ 59		
Other (Please Specify)				
<b>Total</b>	<b>31</b>	<b>\$ 303</b>		

Below is a description of IB’s community development investments.

Investments

IB invested \$1 million in a loan fund specializing in Small Business Administration (“SBA”) loans. Through the fund, IB purchased community development loans, guaranteed by the SBA, extended to small businesses located in LMI areas or that employ LMI individuals. Of the \$1 million invested, \$452,719 was extended to a business in its assessment area. The remainder funded a small business in IB’s Miami, FL assessment area.

Grants

During the evaluation period, IB committed \$302,804 in grants to several nonprofit organizations serving LMI individuals and small businesses inside IB’s assessment area.

The following are highlights of grants made:

- IB contributed \$206,554 to the Federal Home Loan Bank of New York (“FHLBNY”). Each year, FHLBNY sets aside 10% of its earnings to support the creation and

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preservation of housing for low-income families and individuals. FHLBNY also offers Community Lending Programs and the First Home Club, a grant program for first-time homebuyers.

- Grants totaling \$35,000 were given to a city-wide nonprofit organization dedicated to creating, preserving and promoting affordable housing and providing homeownership programs and services to LMI individuals.

### Community Development Services: “Satisfactory”

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

- Officers of IB participated as banker-teachers in a financial literacy program to students of a high school where 86% of its students qualify for free or reduced cost lunches. The program provides basic information on checking and savings accounts, credit and investments.
- A director of IB serves as the treasurer of the board of directors of a nonprofit organization that addresses a wide range of poverty issues, such as a lack of good quality secondary schools for at-risk students in underserved communities. Since its inception in 1990 the organization has served 9,000 students through a network of 22 New York City public schools.
- An IB officer serves on the board of directors and the facilities committee of a nonprofit agency dedicated to helping children with significant delays in critical areas of childhood development. The agency has locations in Manhattan and the Bronx, and it primarily provides services to LMI families.

In addition to the community development services listed above, the president of IB serves as a member of the advisory board of an international organization with offices in New York. Its mission is to save lives by combatting hunger, malnutrition, physical suffering, and the associated distress that endanger lives of LMI children and adults.

### Innovative Practices

IB continues to maintain a satisfactory level of innovative, complex and flexible community development practices to meet community credit needs. IB used debt and equity packages to finance development projects to revitalize and stabilize vacant lots in LMI census tracts, thereby creating jobs for local residents, as well as attracting new and retaining older residents.

### Responsiveness to Credit and Community Development Needs

IB demonstrated an adequate level of responsiveness to credit and community

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development needs. IB primarily concentrates its CRA efforts on working with financial intermediaries to fund community development and reinvestment projects within its assessment area.

### **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.**

The board reviews the report on CRA activities at each of its meetings. Annually, the board reviews and approves the CRA Policy, Strategic Plan, CRA Statement, and the bank's assessment area delineation. In addition, IB's internal auditor regularly reviews the CRA program and activities. In December 2013, at the meeting of the board of directors, the compliance officer provided training to the board on CRA regulations and activities.

#### **Discrimination and other illegal practices**

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

DFS examiners 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**

IB has not opened or closed any branches since the prior evaluation. As a wholesale bank with two locations, IB offers limited retail services at its offices in midtown Manhattan and Miami, FL.

### **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 directors and officers of IB have established relationships and support a wide range of nonprofit groups and organizations that serve LMI individuals and geographies.

- 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.

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Because of the wholesale nature of IB's business and the limitations of its credit products, IB does not market its products through the media. IB's marketing efforts are primarily achieved through customer referrals.

**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.