



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

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2018

Institution: Bank Leumi USA
350 Madison Ave
New York, New York 10036

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

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Bank Leumi USA (“BLUSA”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2018.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Superintendent (“GRS”) implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate institutions’ performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) Outstanding record of meeting community credit needs;
- (2) Satisfactory record of meeting community credit needs;
- (3) Needs to improve in meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

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

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall CRA Rating: "Satisfactory"

DFS evaluated BLUSA's performance according to the community development test for wholesale or limited purpose banking institutions pursuant to Section 76.11 of the GRS. The evaluation period covered January 1, 2016 through December 31, 2018. BLUSA is rated "Satisfactory" or "2". This rating means BLUSA had a satisfactory record of helping to meet community credit needs. This rating is a downgrade from the prior rating of "Outstanding" or "1" based on DFS's Performance Evaluation dated December 31, 2015.

This rating is based on the following factors:

Community Development Test: "Satisfactory"

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

Community Development Lending: "Outstanding"

During the evaluation period, BLUSA originated \$241.1 million in new community development loans and had no community development loans outstanding from the prior evaluation period. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Qualified Investments: "Needs to Improve"

During the evaluation period, BLUSA made \$383,000 in new investments and grants and had \$2.3 million in investments outstanding from prior evaluation periods. This demonstrated a poor level of community development investments over the course of the evaluation period.

Community Development Services: "Satisfactory"

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

Innovative or Complex Practices

BLUSA did not engage in any innovative community development activities during the evaluation period.

Responsiveness to Credit and Community Development Needs

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

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

PERFORMANCE CONTEXT

Institution Profile

Chartered in 1954, BLUSA is a New York State-chartered, FDIC-insured commercial bank headquartered in New York at 579 Fifth Avenue, New York, New York 10017. The Bank is a wholly owned subsidiary of Bank Leumi Le-Israel.

BLUSA operated five full-service offices in three states: one in New York, two in California, one in Illinois and one in Florida.

BLUSA's primary focus was on international, middle market and private banking for clients engaged in activities such as commercial and industrial real estate, healthcare, apparel, automotive services, manufacturing, and electronics.

In its Consolidated Report of Condition (the "Call Report") as of December 31, 2018, filed with the Federal Deposit Insurance Corporation ("FDIC"), BLUSA reported total assets of \$7.1 billion, of which \$5 billion were net loans and lease financing receivables. It also reported total deposits of \$5.3 billion resulting in a loan-to-deposit ratio of 93.4%. According to the latest available comparative deposit data, as of June 30, 2019, BLUSA had a market share of 0.26%, or \$3.4 billion in a market of \$1.3 trillion, ranking it 26th among 113 deposit-taking institutions in the assessment area.

The following is a summary of the Bank's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2016, 2017 and 2018 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2016		2017		2018	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	26,101	0.6	29,044	0.6	23,565	0.5
Commercial & Industrial Loans	1,706,970	37.9	1,955,513	39.4	1,906,550	37.8
Commercial Mortgage Loans	1,661,830	36.9	1,722,015	34.7	1,534,307	30.4
Multifamily Mortgages	428,461	9.5	509,375	10.3	636,145	12.6
Consumer Loans	812	0.0	315	0.0	230	0.0
Construction Loans	432,356	9.6	561,393	11.3	572,636	11.4
Other Loans	208,504	4.6	182,535	3.7	369,060	7.3
Lease Financing Receivables	43,075	1.0	8,595	0.2	1,573	0.0
Total Gross Loans	4,508,109		4,968,785		5,044,066	

As illustrated in the above table, BLUSA was primarily a commercial lender. As of December 31, 2018, commercial and industrial loans and commercial mortgage loans accounted for 68.2% of total gross loans. BLUSA's mix of loans remained relatively unchanged since the prior evaluation.

Examiners found no evidence of financial or legal impediments that had an adverse impact on BLUSA's ability to meet the credit needs of its community.

Assessment Area

BLUSA's assessment area was comprised of the five boroughs of New York City: Bronx (Bronx County), Brooklyn (Kings County), Manhattan (New York County), Queens (Queens County), and Staten Island (Richmond County).

There were 2,167 census tracts in the area, of which 347 were low-income, 608 were moderate-income, 631 were middle-income, 515 were upper-income, and 66 had no income indicated.

Assessment Area Census Tracts by Income Level								
County	N/A	Low	Mod	Middle	Upper	Total	LMI %	LMI & Dis-tressed %
Bronx	7	160	90	56	26	339	73.7	74%
Kings	14	115	280	211	141	761	51.9	52%
New York	15	44	51	20	158	288	33.0	33%
Queens	27	24	176	308	134	669	29.9	30%
Richmond	3	4	11	36	56	110	13.6	14%
Total	66	347	608	631	515	2,167	44.1	44%

Demographic & Economic Data

The assessment area had a population of 8,426,743 during the evaluation period. Approximately 12.7% of the population were over the age of 65 and 19% were under the age of 16.

Of the 1,865,277 families in the assessment area 32.5% were low-income, 16.3% were moderate-income, 15.7% were middle-income and 35.5% were upper-income. There were 3,113,535 households in the assessment area, of which 19.4% had income below the poverty level and 4.1% were on public assistance.

The weighted average median family income in the assessment area was \$70,541.

There were 3,422,225 housing units within the assessment area, of which 39.4% were one-to-four family units and 60.4% were multifamily units. A majority (62%) of the area's housing units were renter occupied, while 29% were owner-occupied units. Of the 991,350 owner-occupied housing units, 24.2% were in LMI census tracts while 75.6% were in middle- and upper-income census tracts. The median age of the housing stock was 71 years, and the median home value in the assessment area was \$536,278.

There were 527,408 non-farm businesses in the assessment area. Of these, 86% were businesses with reported revenues of less than or equal to \$1 million, 7%

reported revenues of more than \$1 million, and 7% did not report their revenues. Of all the businesses in the assessment area, 96.8% were businesses with less than fifty employees while 91.2% operated from a single location. The largest industries in the area were services (45.8%), followed by retail trade (15.2%), and finance, insurance and real estate (9.5%); 12.8% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State in 2018 was 4.1%. Queens County consistently had the lowest unemployment rates during the evaluation period. However, trends showed improvement for all counties over the course of the evaluation period.

Assessment Area Unemployment Rate						
	Statewide	Bronx	Kings	New York	Queens	Richmond
2016	4.9	7.1	5.3	4.6	4.5	5.2
2017	4.7	6.3	4.7	4.1	4.0	4.7
2018	4.1	5.7	4.2	3.7	3.6	4.1

Community Information

DFS examiners conducted community contact interviews with two nonprofit organizations that focus on community development through economic and workforce development. One works to help create entry employment opportunities for jobs in Brooklyn for low-income individuals.

The other organization was created to help small businesses, low- and moderate-income entrepreneurs, and startup businesses. The organization provides legal, financial, and marketing support to under-resourced entrepreneurs. Seventy percent of the 1,100 entrepreneurs that they serve annually are in communities that are considered underserved and have unequal access to capital.

Both organizations believed that economic conditions were steadily improving in most areas of New York City and New York State; however, they stated that many areas, such as Harlem, the South Bronx, Northern Brooklyn, and Red Hook, Brooklyn had disproportionate levels of unemployment and lacked sufficient infrastructure and opportunity. The economic rise which most of New York City experienced since the 2008 recession was not felt in those areas.

The organizations agreed that financial institutions on average were responsive to community needs but could provide more assistance to small businesses and entrepreneurs with the extensive documentation required to open bank accounts. In particular, the contacts reported that small businesses and entrepreneurs had difficulty obtaining business checking accounts because banks required them to register as limited liability companies before opening accounts. Reportedly, this greatly increased

startup costs and took away from funds that could have been used to hire more employees.

The contacts stated that financial institutions could also assist in economic development by providing financial education, as many small business owners reportedly lacked skills to manage their cash flows. Relatedly, banks should also ensure that their accounts are compatible with common bookkeeping software.

PERFORMANCE TEST AND ASSESSMENT FACTORS

DFS evaluated BLUSA under the wholesale banks performance standards 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 are also considered in assessing BLUSA’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; process factors such as activities to ascertain credit needs; and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

The evaluation period included calendar years 2016, 2017 and 2018.

At its **prior** Performance Evaluation, as of December 31, 2015, DFS assigned BLUSA a rating of “1” reflecting an “Outstanding” record of helping to meet community credit needs

Current CRA Rating: “Satisfactory”

Community Development Test: “Satisfactory”

BLUSA’s community development performance demonstrated satisfactory responsiveness to the community development needs of its assessment area through community development loans, investments (including grants), and services, considering BLUSA’s capacity and the need and availability of such opportunities for community development in its assessment area.

BLUSA has a satisfactory record of responding to the needs of its assessment area primarily through community development lending activities. Total community development lending and investments amounted to \$243.7 million, of which \$2.3 million was outstanding from prior evaluation periods.

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

Community Development Lending: “Outstanding”

During the evaluation period, BLUSA originated \$241.2 million in new community development loans and had no community development loans outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.¹ The Bank’s level of new community development lending decreased by \$62 million or 20.6% compared to the prior period.

The chart below illustrates the number and respective totals of BLUSA’s community development loans for revitalization and stabilization efforts in LMI geographies, community services geared toward LMI individuals, economic development in support of small businesses, and affordable housing.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	1	18,600		
Economic Development	2	22,100		
Community Services	12	75,550		
Revitalization/Stabilization	12	124,922		
Total	27	241,172	0	0

Following are highlights of BLUSA’s community development lending:

Revitalization and Stabilization

- BLUSA extended \$55 million in credit facilities during the evaluation period to a small business that operated a wholesale consumer electronics warehouse in a moderate-income census tract in Brooklyn. The credit extensions helped to revitalize and stabilize the surrounding LMI census tracts by offering employment opportunities to the low- and moderate-income population.
- BLUSA provided \$16 million in credit facilities to a long-standing building supply company in Brooklyn. Among other purposes, the credit facilities helped the company make structural repairs to its building, located adjacent to low-and-moderate low and moderate-income census tracts. This helped enhance property value, revitalize and stabilize surrounding areas, and to maintain employment opportunities and services to local residents.

¹ Renewals of lines of credit that occur during the evaluation period are considered new extensions of credit.

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- BLUSA renewed a \$10 million line of credit for a consumer electronics business in Brooklyn. The business was located in an industrial area and employs 100 people from nearby moderate-income residential neighborhoods.

Community Service

- BLUSA originated a \$17.5 million loan to finance the acquisition of a specialized medical facility in a low-income census tract in the Bronx. The facility, a four-story, 58-room, 90 bed specialized facility provides rehabilitation and health care services. The individuals served by this facility consist primarily of Medicaid and Medicaid Managed Care recipients. The Bank's extension of credit helped LMI individuals get access to skilled nursing home care.

Economic Development

- BLUSA renewed and increased a credit facility consisting of two loans totaling \$22.1 million (a \$19.7 million working capital line of credit and a \$2.4 million commercial real estate loan) for a vehicle leasing business located in a low-income census tract in the Bronx. The borrower leases vehicles to livery drivers; thus, the Bank's financing indirectly supported low-income individuals who work as independent contractors.

Affordable Housing

- BLUSA provided a \$62 million loan to finance the construction of a 136-unit residential housing project in Brooklyn in which 30% of the units were designated as affordable pursuant to U.S. Department of Housing and Urban Development guidelines, qualifying the Bank for a \$18.6 million CRA credit for this loan.

Qualified Investments: "Needs to Improve"

During the evaluation period, BLUSA made \$200,000 in new qualified investments and had \$2.3 million in investments outstanding from prior evaluation periods. The Bank also made \$183,000 in new qualified community development grants. This demonstrated a poor level of community development investments during the course of the evaluation period. The Bank's new investment activity has exhibited a decreasing trend over the three most recent evaluation periods. During the evaluations conducted by DFS as of December 31, 2012 and 2015, DFS noted that BLUSA had made qualified investments totaling \$600,000 and \$300,000, respectively.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing			1	2,250
Economic Development				
Community Services	2	200		
Revitalize and Stabilize				
Total	2	200	1	2,250
CD Grants	# of Grants	\$000	<i>Not Applicable</i>	
Affordable Housing	12	21		
Economic Development	8	23		
Community Services	40	130		
Revitalize and Stabilize	2	9		
Total	62	183		

Below is a description of BLUSA community development investments and grants:

Investments

- BLUSA renewed a \$100,000 certificate of deposit with a designated low- income credit union, twice during the evaluation period for a total of \$200,000. A low-income federal credit union is one in which majority of its members are low-income individuals. The funds helped to provide LMI individuals and families with access to financial services and products.

Grants

- As part of its community outreach programs, BLUSA donated \$50,000 to an organization that sought to improve the lives of needy residents in the Bronx and Manhattan. The Bank’s donation was used to provide a free workforce training program for at-risk young adults. The program enabled individuals to receive critical workforce support such as resume writing, life skills, financial literacy training and job placement.
- BLUSA donated \$14,000 to a nonprofit organization that provides free job skills-training, counseling and placement programs to low-income women in New York to help them become self-sufficient and employable.
- BLUSA contributed \$6,000 to an organization that provides housing and support services to youth who are homeless, trafficked and considered at risk. In addition, the organization provides long-term support for these youths through educational programs, job training and placement, medical services, mental health and substance abuse counseling.

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- BLUSA contributed \$8,800 to a financial institution that provides access to safe and affordable credit in the form of interest free loans to LMI individuals in the Bank's assessment area.

Community Development Services: "Satisfactory"

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

BLUSA's management and staff delivered financial services to various community groups by providing financial education and training to members of the community.

Below are highlights of BLUSA's community development services during the evaluation period:

- BLUSA continued its relationship with a nonprofit organization that enhances the ability of LMI women in New York City to obtain jobs by providing training and placement programs through classroom instruction in office job skills, internships, and permanent job opportunities. In coordination with this organization, the Bank has implemented an internship program which has provided on-the-job training and resulted, in some cases, in full-time employment. Other initiatives included office visits by current program participants and alumni, job shadowing, career days, mentoring, financial literacy sessions, and mock interview events.
- A member of the Bank's senior management served on the board of an organization dedicated to providing LMI individuals with interest-free loans, which they can use for a wide variety of needs including addiction recovery, starting a business, undergraduate and graduate education, starting a family, helping to buy a home, medical expenses, vocational training, and meeting emergency expenses.
- Members of BLUSA's senior management and employees provided financial literacy training at a public charter school serving LMI students in Harlem, at a conventional public school in upper Manhattan, and finally, to clients of a nonprofit organization which provides shelter, individual employment counseling, resume writing, skills training, internship placement, and many other services to LMI youth in New York City.

Innovative Practices

BLUSA did not engage in any innovative community development activities during the evaluation period.

Responsiveness to Community Development Needs

BLUSA 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 CRA.

The Bank's Board of Directors appoints the Bank's CRA Officer and has established a management-level CRA Committee comprised of senior bank officers, lending officers and operational managers to develop, oversee and monitor CRA policies and performance on a regular basis. However, during the evaluation period, the CRA Committee did not meet as frequently as the Bank's CRA policy required.

Discrimination and other illegal practices

- *Any practices intended to discourage application for types of credit set forth in the banking institution CRA public file.*

DFS examiners noted no evidence of practices by BLUSA that were intended to discourage applications for the types of credit offered by the Bank.

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

DFS examiners noted no evidence of prohibited, discriminatory or other illegal practices

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

The Bank is designated as a wholesale bank for CRA purposes. The Bank has a single branch in New York State at 579 Fifth Avenue, New York, New York. No branches were opened or closed during the evaluation period.

Process factors

- Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institutions efforts to communicate with members of its community regarding the credit services being provided by the banking institution.

The Bank's CRA Committee includes senior lending and credit officers who assist in helping to evaluate the Bank's CRA performance. Through ongoing relationships

with their customers, members of the CRA Committee assist the CRA officer in determining community credit needs.

- 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, BLUSA does not engage in marketing activities other than client outreach within its limited customer base

Other factors that in the judgment of the superintendent bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community

DFS noted no other factors.

GLOSSARY

Aggregate Lending

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

“Community development”:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

Community Development Loan

A loan that has its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

Community Development Service

Service that has community development as its *primary purpose*, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

Geography

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the Metropolitan Statistical Area ("MSA") or statewide nonmetropolitan median income.

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

Small Business Loan

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

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas where, according to the 2010 U.S. Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a MSA or Primary Metropolitan Statistical Area ("PMSA"), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

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

LMI Individuals/Persons

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

LMI Penetration Rate

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

Low-Income Housing Tax Credit (LIHTC)

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

New Markets Tax Credit (NMTC)

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

Qualified Investment

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

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

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