



**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: December 31, 2012;
Community Development Activities (6/30/2013)

Institution: Banco Popular North America
(Popular Community Bank)
9600 W. Bryn Mawr Avenue
Rosemont, IL 60018

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 Banco Popular North America (“BPNA”), doing business as Popular Community Bank (“PCB”), 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 December 31, 2012.

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.

OVERVIEW OF INSTITUTION'S PERFORMANCE

PCB was evaluated according to the large bank performance criteria pursuant to Part 76.8, 76.9 and 76.10 of the General Regulations of the Superintendent. This assessment period included calendar years 2011 and 2012 for HMDA and Small Business Loans and Community Development Activities. CD Loans, Investments and Services also included activities through June 30, 2013. PCB is rated "2," indicating a "**Satisfactory**" record of helping to meet community credit needs.

The rating is based on the following factors:

LENDING TEST: "High Satisfactory"

There were no significant changes in PCB's HMDA-reportable, small business and community development lending activities during the current evaluation period as compared to the prior period. Overall lending performance was deemed reasonable in light of business strategy and financial condition, as well as peer group activity, demographics, and economic conditions that prevailed during the examination period that had an impact on the volume of lending.

INVESTMENT TEST: "Low Satisfactory"

PCB's community development investments were considered less than adequate in light of the assessment area's needs. The level of grants, however, increased considerably compared to the level in the prior examination period.

SERVICE TEST: "Outstanding"

Retail Banking Services: "Outstanding"

PCB continues to have an excellent branch network, delivery systems, branch hours and services, and alternative delivery systems that were designed to meet the needs of its customers, particularly low- and moderate-income individuals.

Community Development Services: "Outstanding"

PCB was a leader in providing community development services throughout its assessment areas. During the evaluation period, PCB had approximately 346 instances of community development service activities, a 50.4% increase over the prior period.

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:

Banco Popular North America (“BPNA”), chartered in New York State in 1999, is a wholly-owned subsidiary of Popular North America, Inc. The parent company, Popular, Inc. was founded in Puerto Rico in 1893. BPNA operates in California, Florida, Illinois, New York and New Jersey, with 91 branches nationwide and 31 branches in New York State.

In 2010, BPNA assumed the name “Popular Community Bank” (PCB)¹ in their branches in Illinois to attract more non-Hispanic customers. Management has expanded the rebranding effort to include California, Florida, New York and New Jersey and has been using the name “Popular Community Bank” since then.

PCB primarily performs as a community bank, providing business lending, personal loans and deposit services to areas with high concentration of Hispanics in the US.

As per the Consolidated Report of Condition (the “Call Report”) as of June 30, 2013, filed with the Federal Deposit Insurance Corporation (“FDIC”), PCB reported total assets of \$8.8 billion of which \$5.7 billion were net loans and lease finance receivables. It also reported total deposits of \$6.1 billion resulting in a loan-to-deposit ratio of 93.4%. According to the latest available comparative deposit data as of June 30, 2013, PCB obtained a market share of 0.30% or \$2.5 billion in a market of \$840 billion inside its market, ranking it 25th among 108 deposit-taking institutions in the assessment area consisting of Bronx, Kings, New York and Queens counties.

The following is a summary of PCB’s loan portfolio, based on Schedule RC-C of PCB’s December 31, 2011 and December 31, 2012:

¹ The Superintendent of Financial Services, in a letter dated April 16, 2012 raised no objection for the use of “Popular Community Bank” which is the assumed name of Banco Popular North America. Popular Community Bank or PCB shall be used to address the bank in this report.

TOTAL GROSS LOANS OUTSTANDING				
Loan Type	12/31/2011		12/31/2012	
	\$000's	%	\$000's	%
Loans secured by real estate				
1-4 Family Residential Mortgage Loans	1,506,840	26.1	1,715,002	29.8
Commercial Mortgage Loans	2,193,241	38.0	2,028,730	35.2
Multifamily Mortgages	889,761	15.4	996,569	17.3
Construction Loans	190,652	3.3	117,368	2.0
Farmland Loans	236	0.0	200	0.0
Commercial & Industrial Loans	516,030	8.9	389,743	6.8
Consumer Loans	67,164	1.2	85,175	1.5
Other Loans	398,448	6.9	415,851	7.2
Lease financing receivables	15,161	0.3	6,661	0.1
Total Gross Loans	5,777,533	100.0	5,755,299	100.0

As illustrated in the above chart, PCB is primarily a real estate lender with 83.2% of its loan portfolio, as of June 30, 2013 in 1-4 family residential, commercial and multi-family mortgage loans.

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

Assessment Area:

PCB's New York assessment area consists of all the census tracts of the Bronx, Kings, New York and Queens Counties of the New York City Region. There are 2,057 census tracts in the area, of which 290 are low-income, 569 are moderate-income, 624 are middle-income, 513 are upper-income and 61 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	10	129	101	64	35	339	68%
Kings	13	108	269	234	137	761	50%
New York	12	37	65	23	151	288	35%
Queens	26	16	134	303	190	669	22%
Total	61	290	569	624	513	2,057	42%

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

Demographic & Economic Data

Population and Income Characteristics

The assessment area had a population of 7.7 million during the examination period. About 11.9% of the population were over the age of 65 and 19% were under the age of 16.

Of the 1.7 million families in the assessment area, 30.8% were low-income, 17.2% were moderate-income, 16.6% were middle-income and 35.3% were upper-income families. There were 2.9 million households in the assessment area, of which 18.6% had income below the poverty level and 4.2% were on public assistance.

The weighted average of median family income within the assessment area was \$64,222. Among the four counties, the weighted average median family income was lowest in Bronx County at \$42,639 and highest in New York County at \$104,415.

Housing Characteristics

There were 3.2 million housing units within the assessment area, of which 62.5% were multifamily units, and 37.5% were one- to four-family units. A majority of the area's housing units, 62.9%, were renter-occupied while 28.1% were owner-occupied.

Of the 2.0 million renter-occupied housing units, 53.9% were in LMI census tracts while 46.1% were in middle- and upper-income census tracts. Average monthly gross rent was \$1,124.

Of the 891,130 owner-occupied housing units, 22.6% were in LMI census tracts while 77.4% 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 \$530,354.

Business Demographics

There were 682,133 non-farm businesses in the assessment area. Of these, 70.5% were businesses with reported revenues of less than or equal to \$1 million, 5.1% reported revenues of more than \$1 million and 24.4% did not report their revenues. Of all the businesses in the assessment area, 76.2% were businesses with less than fifty employees while 94.5% operated from a single location. Major industries in the area were in service providers (43.4%), followed by retail (14.3%) and finance, insurance and real estate (8.4%); 17.2% of businesses in the assessment area were not classified.

Unemployment data

According to the New York State Department of Labor, the average unemployment rate for New York State during the evaluation period was 8.4%. Bronx County showed the highest average unemployment rate among the four boroughs of New York City at 12.5% followed by Kings County at 9.8%. Compared to the statewide

average, New York County had a lower average unemployment rate at 7.6%.

Assessment Area Unemployment Rate					
	Statewide	Bronx	Kings	New York	Queens
2012	8.5	12.7	9.9	7.7	8.3
2011	8.3	12.3	9.7	7.5	8.1

Community Information

Community contacts interviewed included community based organizations serving the five boroughs of New York City: a certified non-profit CDFI providing alternative sources of financing for affordable housing projects and small businesses; a non-profit organization (an “NPO”) providing transitional housing and self-sufficiency programs to vulnerable² populations, and a city government agency with the mission to educate, empower and protect low-income New Yorkers.

A majority of New York City residents rent their homes, and multifamily buildings are the dominant source of housing. Community contacts indicated that affordable housing remains a pivotal need, citing the higher cost of owning or renting in the city. Foreclosures also remain high for one- to four-family homes, owing mainly to loss of employment causing homeowners to be unable to pay their mortgages.

Access to capital remains the biggest challenge facing small businesses. Most business owners need small loan amounts (\$100,000 or less) primarily to meet operating expenses but have experienced difficulty obtaining credit from traditional bank financing. In recent years, small businesses have increasingly relied on non-depository financial institutions for their credit needs.

Community contacts also identified the lack of safe and affordable financial products and services to help LMI households in New York City. It was further noted that unbanked households are highly concentrated in the lowest income communities in the Bronx, Brooklyn and Manhattan; and that banks should offer free or low-cost deposit accounts and increase their physical presence in unbanked/under-banked communities.

² Defined as people with disabilities, low and very-low income populations, elderly, young children, homeless and people at risk of becoming homeless.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

PCB was evaluated under the large bank performance standards in accordance with Parts 76.8, 76.9 and 76.10 of the General Regulations of the Superintendent which consist of the lending, investment and service tests. The following factors also were considered in assessing the bank's record of performance:

- 1. The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Any practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. Record of opening and closing offices and providing services at offices; and*
- 5. 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.

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the FDIC. Aggregate lending data was obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data was obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report was derived from the 2010 U.S. Census and the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report is based on Dun & Bradstreet reports which are updated annually. Unemployment data were obtained from the New York State Department of Labor.

The evaluation period included calendar years 2011 and 2012 for HMDA and Small Business Loans. For Community Development Activities, the evaluation period included calendar years 2011 and 2012 plus the first six months of 2013 (ending June 30, 2013).

Examiners considered PCB's HMDA-reportable and small business loans in its assessment area in evaluating factors (2), (3) and (4) of the lending test as noted below.

At its **prior** Performance Evaluation as of December 31, 2010, DFS assigned PCB a rating of “2”, reflecting a “Satisfactory” record of helping to meet community credit needs.

Current CRA Rating: “Satisfactory”

LENDING TEST: “High Satisfactory”

The bank’s lending performance was evaluated pursuant to the following criteria:

- (1) Lending Activity;*
- (2) Assessment Area Concentration;*
- (3) Geographic Distribution of Loans;*
- (4) Borrower Characteristics;*
- (5) Community Development Lending; and*
- (6) Flexible and/or Innovative Lending Practices.*

There were no significant changes in PCB’s HMDA-reportable, small business and community development lending activities during the current evaluation period as compared to the prior period. Overall lending performance was deemed reasonable in light of business strategy and financial condition, as well as peer group activity, demographics, and economic conditions that prevailed during the examination period, impacting volume of lending.

Lending Activity: “High Satisfactory”

The average ratio of loans to deposits compared favorably to the average of PCB’s peer¹ group during the eight quarters in the evaluation period, as indicated in the chart below.

Loan-to-Deposit Ratios									
	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	Avg.
Bank	93.0	91.1	90.6	89.8	86.6	89.9	91.7	91.8	90.6
Peer	78.6	79.1	78.2	78.2	77.7	78.3	78.9	77.4	78.3

Assessment Area Concentration: “High Satisfactory”

During the evaluation period, PCB originated 82.6% by number and 90.1% by dollar value of HMDA-reportable and small business loans within the assessment area. This majority of lending inside of its assessment area demonstrated a good record of lending.

¹ Insured commercial banks having assets greater than \$3 billion.

HMDA-Reportable Loans:

During the evaluation period, PCB had 78.3% by number and 90.8 % by dollar value of HMDA-reportable loans to borrowers within the assessment area, demonstrating a good level of lending inside the assessment area.

Small Business Loans:

During the evaluation period, PCB originated 92.4% by number and 85.5% by dollar value of small business loans to businesses inside of its assessment area, demonstrating an excellent level of lending inside the assessment area.

The following table shows the percentages of PCB's HMDA-reportable and small business loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2011	41	80.4%	10	19.6%	51	39,715	95.2%	1,995	4.8%	41,710
2012	121	77.6%	35	22.4%	156	94,578	89.1%	11,595	10.9%	106,173
Subtotal	162	78.3%	45	21.7%	207	134,293	90.8%	13,590	9.2%	147,883
Small Business										
2011	48	90.6%	5	9.4%	53	10,262	79.1%	2,713	20.9%	12,975
2012	37	94.9%	2	5.1%	39	8,479	94.8%	461	5.2%	8,940
Subtotal	85	92.4%	7	7.6%	92	18,741	85.5%	3,174	14.5%	21,915
Grand Total	247	82.6%	52	17.4%	299	153,034	90.1%	16,764	9.9%	169,798

Geographic Distribution of Loans: "Outstanding"

The distribution of loans based on lending in census tracts of varying income levels demonstrated an excellent penetration of lending in LMI census tracts.

PCB's penetration ratio of lending in LMI census tracts for both HMDA-reportable and small business loans outperformed the aggregate's ratios, consistent with the prior period's rating for this component.

HMDA-Reportable Loans:

The distribution of HMDA-reportable loans based on the income level of the geography demonstrated excellent penetration of lending in LMI communities.

In 2011, PCB made 17.1% by number and 43.6% by dollar value in low-income geographies, significantly outperforming aggregate levels of 4.3% and 5.9%,

respectively. Similarly, in 2012, PCB had 14.9% by number and 16.9% by dollar value of loans made in low-income census tracts, also outperforming aggregate levels of 4% and 4.7%, respectively.

PCB's rate of lending in the combined LMI census tracts for both 2011 and 2012 showed significant levels that substantially outperformed aggregate levels by both number of loans and dollar value. The rate of lending in both LMI census tracts also was favorable compared to the demographic data for owner-occupied housing units in the assessment area.

The following chart provides a summary of PCB's HMDA-reportable lending distribution by geographic income of the census tract.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2011									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	17.1%	17,308	43.6%	2,352	4.3%	1,715,421	5.9%	3.7%
Moderate	12	29.3%	12,292	31.0%	8,912	16.3%	4,724,519	16.2%	19.0%
LMI	19	46.3%	29,600	74.5%	11,264	20.6%	6,439,940	22.0%	22.7%
Middle	10	24.4%	5,249	13.2%	15,584	28.5%	5,621,194	19.2%	36.3%
Upper	12	29.3%	4,866	12.3%	27,653	50.6%	16,989,625	58.2%	41.0%
Unknown	0	0.0%	0	0.0%	151	0.3%	160,699	0.6%	0.0%
Total	41	100.0%	39,715	100.0%	54,652	100.0%	29,211,458	100.0%	100.0%
2012									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	18	14.9%	15,996	16.9%	2,521	4.0%	1,654,865	4.7%	4.0%
Moderate	35	28.9%	20,173	21.3%	9,095	14.5%	4,743,793	13.3%	18.6%
LMI	53	43.8%	36,169	38.2%	11,616	18.5%	6,398,658	18.0%	22.6%
Middle	25	20.7%	9,984	10.6%	16,240	25.8%	6,766,254	19.0%	35.1%
Upper	43	35.5%	48,425	51.2%	34,770	55.3%	22,142,111	62.2%	42.3%
Unknown	0	0.0%	0	0.0%	245	0.4%	273,098	0.8%	0.0%
Total	121	100.0%	94,578	100.0%	62,871	100.0%	35,580,121	100.0%	100.0%
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	25	15.4%	33,304	24.8%		4.1%		5.2%	
Moderate	47	29.0%	32,465	24.2%		15.3%		14.6%	
LMI	72	44.4%	65,769	49.0%		19.5%		19.8%	
Middle	35	21.6%	15,233	11.3%		27.1%		19.1%	
Upper	55	34.0%	53,291	39.7%		53.1%		60.4%	
Unknown	-	0.0%	-	0.0%		0.3%		0.7%	
Total	162	100.0%	134,293	100.0%		100.0%		100.0%	

Small Business Loans:

The distribution of small business loans based on the income level of the geography of the business demonstrated excellent penetration of lending to businesses in LMI census tracts.

In 2011, PCB originated 20.8% by number and 24.4% by dollar value in low-income census tracts, outperforming the aggregate levels of 6.9% and 6.1%, respectively. In 2012, PCB made 21.6% by number and 12.9% by dollar value in low-income geographies, outperforming aggregate levels of 7.9% and 8.0%, respectively. In both years, distribution of small business loans in LMI communities demonstrated a favorable rate of lending in comparison to business demographics.

The following chart provides a summary of PCB's small business lending distribution based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2011									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	10	20.8%	2,501	24.4%	11,164	6.9%	253,363	6.1%	9.4%
Moderate	22	45.8%	4,661	45.4%	31,676	19.6%	722,263	17.3%	23.0%
LMI	32	66.7%	7,162	69.8%	42,840	26.5%	975,626	23.3%	32.4%
Middle	7	14.6%	1,590	15.5%	36,817	22.8%	879,979	21.0%	23.1%
Upper	9	18.8%	1,510	14.7%	79,742	49.4%	2,229,266	53.3%	43.0%
Unknown		0.0%		0.0%	2,169	1.3%	96,815	2.3%	1.5%
Total	48		10,262		161,568		4,181,686		
2012									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	21.6%	1,095	12.9%	13,337	7.9%	367,513	8.0%	9.7%
Moderate	12	32.4%	2,661	31.4%	30,002	17.8%	749,941	16.3%	21.2%
LMI	20	54.1%	3,756	44.3%	43,339	25.8%	1,117,454	24.3%	30.9%
Middle	11	29.7%	2,948	34.8%	37,801	22.5%	1,013,491	22.0%	22.8%
Upper	5	13.5%	1,275	15.0%	80,540	47.9%	2,192,187	47.7%	42.9%
Unknown	1	2.7%	500	5.9%	6,444	3.8%	276,980	6.0%	3.4%
Total	37		8,479		168,124		4,600,112		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	18	21.2%	3,596	19.2%		7.4%		7.1%	
Moderate	34	40.0%	7,322	39.1%		18.7%		16.8%	
LMI	52	61.2%	10,918	58.3%		26.1%		23.8%	
Middle	18	21.2%	4,538	24.2%		22.6%		21.6%	
Upper	14	16.5%	2,785	14.9%		48.6%		50.3%	
Unknown	1	1.2%	500	2.7%		2.6%		4.3%	
Total	85		18,741						

Distribution by Borrower Characteristics: “Low Satisfactory”

The distribution of loans based on borrower characteristics demonstrated a reasonable penetration of lending to LMI individuals, but penetration of lending to businesses with gross annual revenues of \$1 million or less needs to improve.

HMDA-reportable (1-4 Family Loans):

PCB’s HMDA-reportable (1- to 4-family) lending demonstrated a reasonable penetration rate of lending to low- and moderate income individuals.

In 2011, PCB originated 10.3% by number and 2.4% by dollar value of its 1- to 4-family loans to low-income individuals, outperforming its aggregate levels of 1.6% and 0.6%, respectively. In 2012, PCB had 7.4% by number and 0.8% by dollar value to low-income individuals, outperforming the aggregate level of 1.9 by number but underperforming the aggregate level of 0.9% by dollar value.

The following chart provides a summary of the HMDA-reportable lending distribution based on household income.

Distribution of 1-4 Family Loans by Borrower Income									
2011									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	10.3%	107	2.4%	855	1.6%	140,688	0.6%	30.2%
Moderate	8	27.6%	453	10.3%	3,797	7.2%	641,665	2.8%	14.5%
LMI	11	37.9%	560	12.8%	4,652	8.8%	782,353	3.4%	44.7%
Middle	5	17.2%	731	16.7%	9,476	18.0%	2,267,556	9.8%	16.1%
Upper	13	44.8%	3,092	70.5%	36,235	68.8%	18,615,659	80.4%	39.2%
Unknown	0	0.0%	0	0.0%	2,340	4.4%	1,502,247	6.5%	
Total	29	100.0%	4,383	100.0%	52,703	100.0%	23,167,815	100.0%	100.0%
2012									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	7.4%	333	0.8%	1,144	1.9%	233,862	0.9%	30.8%
Moderate	14	14.9%	993	2.2%	4,017	6.7%	732,443	2.7%	15.2%
LMI	21	22.3%	1,326	3.0%	5,161	8.6%	966,305	3.5%	46.0%
Middle	13	13.8%	1,261	2.8%	10,353	17.2%	2,577,680	9.4%	15.7%
Upper	18	19.1%	2,678	6.0%	41,610	69.2%	21,549,483	78.9%	38.3%
Unknown	42	44.7%	39,116	88.1%	2,984	5.0%	2,209,358	8.1%	
Total	94	100.0%	44,381	100.0%	60,108	100.0%	27,302,826	100.0%	100.0%
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	10	8.1%	440	0.9%		1.8%		0.7%	
Moderate	22	17.9%	1,446	3.0%		6.9%		2.7%	
LMI	32	26.0%	1,886	3.9%	9,815	8.7%	1,748,651	3.5%	
Middle	18	14.6%	1,992	4.1%		17.6%		9.6%	
Upper	31	25.2%	5,770	11.8%		69.0%		79.6%	
Unknown	42	34.1%	39,116	80.2%		4.7%		7.4%	
Total	123	100.0%	48,764	100.0%		100.0%		100.0%	

Small Business Loans:

PCB's level of lending to businesses with gross annual revenues ("GAR") of \$1 million or less was less than adequate, underscoring a need and an opportunity going forward to meet the credit needs of small business owners in the assessment area.

In 2011, PCB originated 20.8% by number and 14% by dollar value to businesses with GAR of \$1 million or less, underperforming aggregate levels of 33.3% and 26.6%, respectively. In 2012, PCB made 21.6% by number and 3.3% by dollar value, again underperforming its peer level of 39.3% and 30.0%, respectively. Levels of lending to small businesses were much lower than the assessment area's business demographics.

The following chart provides a summary of PCB's small business lending distribution based on revenue size during the evaluation period:

Distribution of Small Business Lending by Revenue Size of Business									
2011									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	10	20.8%	1,436	14.0%	53,828	33.3%	1,110,970	26.6%	64.8%
Rev. > \$1MM	28	58.3%	5,831	56.8%					3.8%
Rev. Unknown	10	20.8%	2,995	29.2%					31.4%
Total	48		10,262		161,568		4,181,686		
2012									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	8	21.6%	281	3.3%	66,062	39.3%	1,382,079	30.0%	70.5%
Rev. > \$1MM	22	59.5%	4,502	53.1%					5.1%
Rev. Unknown	7	18.9%	3,696	43.6%					24.4%
Total	37		8,479		168,124		4,600,112		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	18	21.2%	1,717	9.2%		36.4%		28.4%	
Rev. > \$1MM	50	58.8%	10,333	55.1%					
Rev. Unknown	17	20.0%	6,691	35.7%					
Total	85		18,741						

Community Development Lending: "High Satisfactory"

During the evaluation period, PCB originated \$99.6 million in new community development loans, and still had \$34.2 million outstanding from prior evaluation periods. The current lending level of community development loans represented 0.61% of total assets on an annualized basis during the evaluation period. This demonstrated a high

level of community development lending over the course of the evaluation period.²

Of the total community development loans, 48.1% were used for affordable housing; 44.8% for community services; 5.0% for neighborhood revitalization and stabilization efforts and 2.1% for economic development.

Included in PCB's loans for community services were \$31.6 million in loans that help reduce street homelessness and assist New Yorkers to transition from shelter homes into appropriate permanent housing, demonstrating a high level of responsiveness to the community development needs of the most vulnerable individuals in its assessment area. PCB also made \$64.3 million in loans to help preserve affordable housing for LMI residents.

Community Development Loans				
Purpose	This Evaluation Period		Outstanding from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	19	46,827	11	17,476
Economic Development	2	2,850		
Community Services	28	46,856	8	13,081
Revitalize & Stabilize	6	3,094	3	3,609
Total	55	99,627	22	34,166

Below are highlights of PCB's community development lending.

Affordable Housing

- PCB refinanced a \$10.7 million commercial mortgage on a seven-story mixed-use apartment building located in a moderate-income census tract in Queens, New York. The property contains 163 rent stabilized residential units, four professional units, a laundry room, and a 32-car garage; 110 of these units, or 67.5%, are considered affordable since the rents are for individuals or families with income less than 80% of the area median income.
- PCB extended a \$8.3 million commercial mortgage to acquire a six (6)-story mixed-use apartment building located in a low-income census tract in Brooklyn, New York. The property contains four retail units and 118 residential units which are subject to rent stabilization; 96 of these units, or 81.4%, are considered affordable since the units are reserved for individuals or families with incomes less than 80% of the area median income. Furthermore, 26 units or 22% are leased to Section 8 tenants.

² For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the time period of the exam.

Community Services

- PCB made a \$6.2 million construction loan to acquire and renovate a warehouse building into a homeless shelter and social services space at a moderate-income area in Brooklyn. The shelter will be leased to a non-profit provider designated by the Department for Homeless Services (DHS).
- PCB extended a \$3 million loan to a not-for-profit organization (an “NPO”) for the acquisition, renovation and relocation costs of a building located in a moderate-income census tract in Queens, New York. The NPO provides mental health services to chronically mentally ill persons and habitation services to the developmentally disabled population in New York City. The majority of its revenue is derived from Medicaid fees and government contracts.

Revitalize and Stabilize

- In participation with the Business Initiative Corporation in conjunction with the U.S. Small Business Administration’s (SBA) 504 loan program, PCB extended a \$1.6 million commercial mortgage to purchase and renovate a commercial property into a supermarket. The store will provide grocery, frozen foods, deli, health and beauty aids, produce, bakery and meat. The loan helped revitalize a moderate-income area by providing financing to a new employer that will create jobs for LMI individuals and provide essential retail services to the community.

Flexible and/or Innovative Lending Practices:

PCB did not make use of innovative practices in its community development lending.

PCB introduced a “Credit Building Secured Loan” product, designed for customers who are credit challenged due to negative or no credit history. The proceeds of the loan are placed in a savings account for the full term of the loan. Successful repayment of the loan will build or improve credit history and build savings discipline. Loan amounts range from \$1,000 to \$10,000, and the loans have terms ranging from 12 to 48 months.

INVESTMENT TEST: “Low Satisfactory”

PCB’s investment performance is evaluated pursuant to the following criteria:

- (1) The dollar amount of qualified investments;*
- (2) The innovativeness or complexity of qualified investments; and*
- (3) The responsiveness of qualified investments to credit and community development needs.*

PCB’s community development investments were considered adequate in light of the assessment area’s credit needs.

Amount of Community Development Investments:

During the evaluation period, PCB placed a \$100,000 certificate of deposit with a designated credit union/CDFI that provides financial services to low-income neighborhood. PCB also had \$14.9 million of CRA-qualified mortgage backed securities outstanding from prior evaluation periods. In addition, PCB made \$678,100 in community development grants.

The amount of new investment decreased significantly from \$14.1 million from prior evaluation to \$778,100 for the current evaluation.

Community Development Investments and Grants				
	This Evaluation Period		Outstanding from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing			7	14,916
Economic Development	1	\$ 100		
Community Services				
Revitalize & Stabilize				
Total	1	\$ 100	7	14,916
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	3	\$ 2		
Economic Development	11	\$ 18		
Community Services	87	\$ 656		
Revitalize & Stabilize	3	\$ 2		
Total	104	\$ 678		

- PCB contributed about \$656,000 for community services representing 83.7% of the number and 96.8% of the dollar value of total grants. Below are examples of PCB’s community development grants.
 - A community college, located in a low income census tract in Bronx County, established to meet the educational needs of people and communities historically excluded from higher education. PCB contributed \$7,500 to the college. 80% of the student body received financial aid;
 - A Brooklyn-based community services organization offering various programs to meet the diverse needs of clients with physical and developmental disabilities and mental illness, and children from low-income families who are attending some of the lowest performing schools in the City with after-school learning opportunities. PCB contributed \$12,000 to the organization; and

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- A community development corporation, in a low income census tract in Bronx County, providing substance abuse treatment and primary health care to the underserved South Bronx communities. PCB contributed \$50,000 in grants to the CDC.
 - Storm Sandy relief program
 - PCB helped raise a total of \$50,669 for two non-profit organizations (“NPOs”) toward their disaster emergency fund to provide assistance to those in need after the impact of Storm Sandy.
 - PCB opened a deposit account for two NPOs working in the designated disaster areas of New York and New Jersey where customers and the public can make their tax deductible contributions for Sandy victims. PCB donated \$10,000 to each of the NPOs and provided matching funds of up to \$10,000 to the public contributions. During the evaluation, public contributions amounted to \$16,807 and PCB contributed \$33,862.

Innovativeness of Community Development Investments:

PCB did not make use of innovative investments to support community development.

Responsiveness of Community Development Investments to Credit and Community Development Needs:

PCB’s level of community development investments exhibited adequate responsiveness to credit and community development needs.

SERVICE TEST: “Outstanding”

PCB’s retail service performance is evaluated pursuant to the following criteria:

- (1) The current distribution of the banking institution’s branches;*
 - (2) The institutions record of opening and closing branches;*
 - (3) The availability and effectiveness of alternative systems for delivering retail services;*
- and*
- (4) The range of services provided.*

PCB’s community development service performance is evaluated pursuant to the following criteria:

- (1) The extent to which the banking institution provides community development services; and*
- (2) The innovativeness and responsiveness of community development services.*

Retail Banking Services: “Outstanding”

PCB continues to have excellent delivery systems, branch network, branch hours and services, and alternative delivery systems, that were designed for the convenience and needs of its customers, particularly LMI individuals.

Current distribution of the banking institutions branches:

PCB’s branches continue to represent an excellent distribution of branches within its assessment area.

There are 31 branches in the New York assessment area, of which 20, or 65%, are located in LMI census tracts. Branches in middle and upper income census tracts are accessible to public transportation and are either located in strip malls or are adjacent to LMI census tracts. All branches are open Saturdays and have extended hours on Thursdays and Fridays.

Distribution of Branches within the Assessment Area						
County	Low	Moderate	Middle	Upper	Total	LMI
	#	#	#	#	#	%
Bronx	4	1			5	100%
Kings	1	4	4	1	10	50%
Queens	1	2	1		4	75%
New York	2	5	1	4	12	58%
Total	8	12	6	5	31	65%

Record of opening and closing branches:

PCB’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly for LMI geographies and LMI individuals.

There was no branch closing during the evaluation period. One branch was relocated from a moderate-income to an upper-income census tract; this upper-income branch is adjacent to a moderate income census tract and only 0.42 miles away from this tract.

Availability and effectiveness of alternative systems for delivering retail services:

PCB’s delivery systems continue to be readily accessible to its customers in the assessment area, particularly LMI geographies and individuals, and small businesses.

PCB has a range of effective alternative avenues of delivering retail services:

PCB has a network of on-site ATMs, of which 57 can be used for deposits and withdrawals. As a member of the Allpoint ATMs, PCB customers have access to over

40,000 surcharge free off-site ATMs nationwide of which 960 units are in New York and 360 in LMI locations.

Other alternative systems for delivering retail services available to and used by LMI individuals and small businesses include online banking, bill pay and E-statements, automatic credit transfers, mobile check deposits and debit cards. Small businesses can also use PCB's Business Online Banking services, which provide real-time access to business accounts and account and wire transfers.

Range of services provided:

PCB's services continue to meet the needs of its assessment area, particularly LMI geographies and individuals.

Of the total 59 onsite ATMs, 57, or 96.6%, accept deposits. Through the Allpoint network of ATMs, customers have access to over 40,000 surcharge free offsite ATMs, 960 of which are in New York (with 38% of these in LMI locations).

Branch hours sufficiently meet the convenience needs of customers. All branches are open Saturdays and have extended hours on Thursdays and Fridays. Of the 31 branches in the NY assessment area, 65% are in LMI census tracts. One of these branches is located at an area designated as a Banking Development District (BDD), which is a Department-administered program to encourage the establishment of bank branches where there is a demonstrated need for banking services, as provided for by Section 96-d of the Banking Law.

Community Development Services: "Outstanding"

PCB was a leader in providing community development services throughout its assessment areas. PCB officers and staff have actively participated in campaigns that provide financial education to LMI individuals and small businesses, as well as provide their financial/technical expertise through membership on the boards and committees of not-for-profit organizations and community development corporations. During the evaluation period, PCB had approximately 346 instances of community development service activities, a 50.4% increase over the prior period.

Examples of community development services are as follows:

- PCB conducted financial education seminars in branch locations in LMI census tracts, to help customers improve their understanding of financial products, ways to save money and improve or build credit scores.
- PCB participated with city government agencies/partnerships such as the NYC Office of Financial Empowerment and Bank on Manhattan Program in offering low cost banking products, such as the "Safe Start" and "Bank On" accounts. The NYC Safe Start account had no overdraft or monthly fees, with a minimum balance of \$25

or less, allowing unbanked low-income New Yorkers to open a savings or checking account with just \$25.

- PCB partnered with a television network and a leading newspaper to launch “PopularTips.com,” a New York comprehensive financial education program providing customers and communities with guidance and answers to money management questions. PCB conducted 173 financial literacy workshops from June 2012 to December 2012, 78% of which were in LMI locations.

During the evaluation period, in approximately 57 instances involving 15 senior officers and staff, PCB also provided technical expertise regarding financial matters by serving on the boards and committees of non-profit organizations and business groups serving the assessment area. These organizations are engaged in a wide range of programs to promote affordable housing; financial literacy; higher education; the securing of capital for small businesses; money management; health and other social services benefiting LMI individuals and communities. The following are examples of services performed by PCB’s bank officers:

- Three Branch Managers served as Treasurer in Business Improvement District (“BID”)³ Associations in Central Harlem in New York County and South Bronx in Bronx County. The missions of the NPOs are to expand sustainable economic activity in the area, including the creation or expansion of businesses and the development of jobs for community residents. Additionally, the organizations have helped to improve quality-of-life conditions throughout the business districts.
- An officer serves as the President of a community college, which meets the higher educational needs of communities historically excluded from higher education, in the South Bronx.
- A Branch Manager was a member of the governance board of a non-profit organization providing early childhood education, after-school tutoring and support through elementary school from low-income families in New York County.
- A New York Metro Region Executive is a board member of several NPOs engaged in providing low-income housing and financial empowerment for unbanked areas and low-income individuals.
- A Senior Loan Officer serves on the Board of Directors of an alternative lending organization providing credit and other business services to small business owners who do not have access to traditional lending.

³ A BID is an organization made up of property owners and commercial tenants who are dedicated to promoting business development and improving an area’s quality of life. BIDs deliver supplemental services such as sanitation and maintenance, public safety, marketing and promotional programs, capital improvements, and beautification of the area funded by a special assessment paid by property owners within the district.

Additional Factors

The following factors were also considered in assessing PCB's record of performance.

The extent of participation by the banking institution's board of directors or board of trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act

At least once a year, the Board of Directors is apprised of the goals, accomplishments and results.

On a routine basis, the regulatory compliance team led by the Compliance Manager monitors CRA activities providing periodic reports to the senior management team and the Risk Management Committee. Bi-annually, CRA/HMDA data is also shared with the Fair Lending Committee.

At least quarterly, the regulatory compliance team meets with the regional management team (in New York, the NY Metro regional management) consisting of the region executive and three other marketing and business banking managers to keep each side informed of goals and accomplishments as measured in the volume of community development loans, investments and services.

Discrimination and other illegal practices

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

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

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

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

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.*

PCB's business banking and retail managers, regional executive and other officers and staff actively participate in the activities of local BIDs, Chambers of Commerce and other local community groups and non-profits to remain current with the banking needs of the communities. Business Banking Specialists conduct their regular outreach visits to local businesses to identify credit and other banking needs. Other

avenues to determine credit needs and communicate to the community regarding the credit services offered by PCB include the periodic financial education workshops at local branch locations and partnerships with city government agencies to promote low-cost banking products and services.

PCB's participation with the Bank on Manhattan and Coalition for Debtor Education have helped determine and meet the needs of the unbanked community, while partnership with the Office of Financial Empowerment to offer the Safe Start Savings Account and the NYC Employee Direct Deposit Program helped better serve those individuals that are under-banked.

- *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*

During the evaluation period, PCB partnered with a television network and a NY newspaper, to create a web-based financial education program, Popular Tips, dedicated to providing New Yorkers with guidance and answers to money management questions. Other marketing tools used to advertise banking products and services offered include newspaper, TV and banner ads in websites and mobile apps.

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

PCB was among the recipients of the 2012 Community Service Leadership Award given by the Financial Services Roundtable⁴ in acknowledgement of their commitment to community service and sponsorship of financial literacy programs. Additionally, a not-for-profit coalition of affordable housing organizations and CDCs indicated their satisfaction with PCB's low cost banking products designed to build credit and provide underserved and low-income customers with opportunities for financial advancement.

⁴ The Financial Services Roundtable is an organization consisting of for-profit financial institutions delivering integrated financial services.

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.

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

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.