



**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: June 30, 2013

Institution: Ridgewood Savings Bank
71-02 Forest Avenue
Ridgewood, New York 11385-5647

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 Ridgewood Savings Bank 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 June 30, 2013.

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

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

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

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

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

RSB's performance was evaluated according to the large bank performance criteria pursuant to Part 76.12 of the General Regulations of the Superintendent. This assessment period included calendar years 2010, 2011, 2012, and the six months ended June 30, 2013. RSB is rated "2," indicating a "**Satisfactory**" record of helping to meet community credit needs.

This rating is based on the following factors:

Lending Test – "Low Satisfactory"

RSB's HMDA-reportable activities, including multi-family MECA loans were adequate in light of size, business strategy and financial condition, as well as peer group activity, demographics, and its assessment area's credit needs. RSB's trend of lending activity, distribution by borrower income and income of the census tract was marginally adequate. Nevertheless, the volume of community development loans demonstrated an excellent level of activity addressing the affordable housing needs of the assessment area.

- **Lending Activity:** "Low Satisfactory"

RSB's lending activities are adequate, considering its size, business strategy and financial condition, as well as peer group activity, demographics and economic conditions that influenced RSB's residential real estate lending. Residential real estate lending is RSB's primary lending focus.

- **Assessment Area Concentration:** "Outstanding"

During the evaluation period, RSB made 99.5% by number and 99.6% by dollar value of its HMDA-reportable loans within the assessment area. RSB did 93.1% by number and 87.7% by dollar value of its MECA multi-family lending inside the assessment area. This substantial majority of lending inside of its assessment area is an excellent record of lending.

- **Geographic Distribution of Loans:** "Low Satisfactory"

The distribution of HMDA reportable and MECA loans based on lending in census tracts of varying income levels demonstrated an adequate penetration rate of lending.

- **Distribution by Borrower Characteristics:** "Low Satisfactory"

The distribution of HMDA 1-4 family residential loans demonstrated an adequate rate of lending among individuals of different income levels.

- **Community Development Lending: “Outstanding”**

During the evaluation period, RSB originated \$96.8 million in new community development loans and had \$81.8 million outstanding from prior evaluation periods. The current lending level of community development loans (\$178.6 million) during the evaluation period represented 1.02% of RSB’s assets on an annualized basis. This demonstrated an excellent level of community development lending over the course of the evaluation period¹.

Investment Test: “High Satisfactory”

During the evaluation period, RSB originated \$96.8 million in new community development loans and had \$81.8 million outstanding from prior evaluation periods. The current lending level of community development loans (\$178.6 million) during the evaluation period represented 1.02% of RSB’s assets on an annualized basis. This demonstrated an excellent level of community development lending over the course of the evaluation period².

Service Test: “Outstanding”

- **Retail Banking Services: “Outstanding”**

RSB continues to have excellent delivery systems, branch network, branch hours and services, and alternative delivery systems.

- **Community Development Services: “High Satisfactory”**

RSB provided an adequate level of community development services.

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.

¹ 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.

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.

PERFORMANCE CONTEXT

Institution Profile:

Headquartered in Ridgewood, New York, Ridgewood Savings Bank (“RSB”) is a New York State chartered mutual savings bank established in June 1921. Including the main headquarter, RSB has 36 branches located throughout seven counties in its assessment area: Queens, Bronx, Brooklyn (Kings), Manhattan (New York), Nassau, Suffolk and Westchester. Two of these branches are located in Banking Development Districts¹ (BDDs). RSB also offers a unique mobile branch that “brings the bank” to senior and assisted living facilities.

RSB focuses primarily on personal savings and the provision of financial services such as consumer loans and mortgages. RSB’s mortgage lending is principally the origination of 1-4 family residential mortgage loans. Other significant real estate loan products include multi-family and commercial mortgage loans.

As per the Consolidated Report of Condition (the “Call Report”) as of June 30, 2013, filed with the Federal Deposit Insurance Corporation (“FDIC”), RSB reported total assets of \$5.0 billion, of which \$2.4 billion were net loans and lease finance receivables. It also reported total deposits of \$4.1 billion, resulting in a loan-to-deposit ratio of 58.5%. According to the latest available comparative deposit data as of June 30, 2013, RSB obtained a market share of 0.41%, or \$4.1 billion in a market of \$999.2 billion inside its market, ranking it 25th among 134 deposit-taking institutions in the assessment area.

The following is a summary of RSB’s loan portfolio, based on Schedule RC-C² of RSB’s December 31, 2010, December 31, 2011, December 31, 2012 and June 30, 2013 Call Reports:

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	2010		2,011		2012		6/30/2013	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Loans secured by Real Estate								
1-4 Family Residential Mort. Loans	1,679,340	66.8	1,561,173	66.4	1,614,036	69.5	1,678,245	69.6
Commercial Mortgage Loans	283,789	11.3	244,694	10.4	217,501	9.4	200,183	8.3
Multifamily Mortgages	538,059	21.4	532,465	22.6	480,450	20.7	523,070	21.7
Commercial & Industrial Loans	5,899	0.2	5,397	0.2	4,159	0.2	3,570	0.1
Consumer Loans	5,040	0.2	5,199	0.2	4,559	0.2	3,160	0.1
Construction Loans	1,800	0.1	1,800	0.1	900	0.0	841	0.0
Other Loans	1,270	0.1	948	0.0	981	0.0	1,499	0.1
Total Gross Loans	2,515,197	100.0	2,351,676	100.0	2,322,586	100.0	2,410,568	100.0

¹ Section 96-d of the Banking Law, entitled “Banking Development Districts” is designed to encourage the establishment of bank branches in those areas where there is a demonstrated need for banking services.

² Total Gross Loans outstanding should be the amount as indicated on Lines 1 through 10.

As illustrated in the above chart, RSB is primarily a real estate lender with mortgage loans making up 99.6% of total gross loans as of June 30, 2013. Of its total loans, 1-4 family residential mortgage loans accounted for 69.6%; multi-family mortgage loans, 21.7%; and commercial mortgage loans, 8.3%.

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

Assessment Area:

RSB's assessment area consisted of seven counties in their entirety: Bronx, Kings, New York, Queens, Nassau, Suffolk, and Westchester.

There are 2,887 census tracts in the area, of which 308 are low-income, 688 are moderate-income, 1,032 are middle-income, 783 are upper-income and 76 are tracts with no income indicated. Overall, 34.5% are in LMI census tracts.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	10	129	101	64	35	339	67.8
Kings	13	108	269	234	137	761	49.5
New York	12	37	65	23	151	288	35.4
Suffolk	1	4	70	197	51	323	22.9
Queens	26	16	134	303	190	669	22.4
Westchester	6	5	23	54	135	223	12.6
Nassau	8	9	26	157	84	284	12.3
Total	76	308	688	1,032	783	2,887	34.5

The assessment area appears reasonable based upon the location of RSB'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 11.5 million during the examination period. About 12.6% of the population were over the age of 65 and 19.6% were under the age of 16.

Of the 2.7 million families in the assessment area, 26.1% were low-income, 17.0% were moderate-income, 18.3% were middle-income and 38.6% were upper-income families. There were 4.2 million households in the assessment area, of which 14.8% had income below the poverty level and 3.4% were on public assistance.

The weighted average of the median family income within the assessment area was \$79,944. The U.S. Department of Housing and Urban Development (“HUD”) estimated median family income for the area as \$74,389 in 2013. In 2013, Westchester had the highest weighted average median family income in all seven counties at \$114,927 followed by Nassau with \$113,801. Bronx County showed the lowest median family income at \$42,639; Kings at second lowest at \$54,363.

Housing Characteristics

There were 4.6 million housing units within the assessment area, almost equally divided between 51.9% one- to four-family units, and 48.1% multifamily units. Rental units were 52.8% of the area’s housing units, while 41.0% were owner occupied. Of the 2.3 million rental housing units, 51.1% were in low- and moderate-income census tracts while 48.9% were in middle- and upper-income census tracts. Of the 1.9 million owner-occupied housing units, 17.3% were in low- and moderate-income census tracts while 82.7% were in middle- and upper-income census tracts. Average monthly gross rent was \$1,153. The median age of the housing stock was 67 years and the median home value in the assessment area was \$523,647.

Business Demographics

There were 987,544 non-farm businesses in the assessment area. Of these, 73.4% were businesses with reported revenues of less than or equal to \$1 million, 5.3% reported revenues of more than \$1 million and 21.3% did not report their revenues. Of all the businesses in the assessment area, 80.1% were businesses with less than fifty employees while 93.9% operated from a single location. The largest industries in the area were in services (45.2%), followed by retail (14.2%) and finance, insurance and real estate (8.6%); 13.2% of businesses in the assessment area were not classified.

Unemployment rates

According to the New York State Department of Labor, the average unemployment rate for New York State for the last three years was 8.5%. Bronx County has the highest average unemployment rate at 12.6% followed by Kings with 10.0%. Nassau showed the lowest unemployment rate of 7.0%; second lowest was Westchester at 7.2%. All counties except Bronx and Kings have rates below the statewide average.

Assessment Area Unemployment Rate								
	Statewide	Bronx	Kings	New York	Queens	Nassau	Suffolk	Westchester
2010	8.6	12.8	10.3	8.1	8.7	7.1	7.7	7.4
2011	8.3	12.4	9.8	7.5	8.1	6.8	7.5	7.0
2012	8.5	12.7	9.9	7.7	8.3	7.1	7.6	7.2
Ave (3 yrs.)	8.5	12.6	10.0	7.8	8.4	7.0	7.6	7.2
2013 *	8.1	11.8	9.4	7.3	7.8	6.5	6.9	6.7

*7 months average

Community Information

Examiners contacted several non-for-profit organizations engaged in a variety of homeownership and affordable housing services to the neediest members of the community, including homeless, disabled and low-income New Yorkers in under-banked sections of the assessment area.

Community contacts stated that foreclosure remains high for 1-4 family homeowners, thus the need for foreclosure counseling and intervention in obtaining mortgage relief and loan modifications. Affordable housing units are still available in some areas such as Bronx County but bank financing has become more difficult due to more strict requirements imposed by banks. The majority of the area's housing units (52.8%) are rental properties, but there is still the need for affordable housing for low-income households, as families in low income areas spent more than half their income on rent.

Community contacts also indicated that banks should increase their physical presence in under-banked communities; offer low cost products and services in low income areas and directly provide financial literacy programs by volunteering their services or indirectly by making grants to community based organizations that provide these services.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

RSB 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 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 2000/2010 U.S. Census (the "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 was obtained from the New York State Department of Labor. Some non-specific bank data is only available on a county-wide basis, and was used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2010, 2011, 2012 and the six months ended June 30, 2013.

Examiners considered RSB's Home Mortgage Disclosure Act ("HMDA")-reportable loans in evaluating factors (2), (3) and (4) of the lending test as noted below. Additionally, Modifications, Extensions and Consolidation Agreements ("MECAs") for Multi-family loans were considered in evaluating factors (2) and (3). More weight was given to HMDA reportable loans since it represented 82% of the loans reviewed for the lending test vs. MECA loans at 18%.

Multi-family MECA loans were also included in the community development lending test.

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

Current CRA Rating: “Satisfactory”

LENDING TEST: “Low 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.*

RSB’s HMDA-reportable activities, including multi-family MECA loans were adequate in light of size, business strategy and financial condition, as well as peer group activity, demographics, and its assessment area’s credit needs. RSB’s trend of lending activity, distribution by borrower income and income of the census tract was marginally adequate; nevertheless, the volume of community development loans demonstrated an excellent level of activity addressing the affordable housing needs of the assessment area.

Lending Activity: “Low Satisfactory”

RSB’s lending activities are adequate, considering its size, business strategy and financial condition, as well as peer group activity, demographics and economic conditions that influenced RSB’s residential real estate lending. Residential real estate lending is RSB’s primary lending focus.

During the evaluation period, RSB made an annual average of 417 HMDA-reportable loans totaling an average of \$242.7 million. This represents a decrease of 26% in number of loans and 18.6% in dollar value, compared to the prior evaluation period (564 loans and \$298.03 million). Management attributed this downward trend to increased market competition, the current state of monetary policy and subsequent effects of Superstorm Sandy.

RSB ranked 59th among 500 lenders with 0.27% market share of originated HMDA reportable mortgage loans in 2010; and 70th among 495 lenders with 0.26% market share in 2011.

RSB’s average loan-to-deposit ratio during the 14 quarters of the evaluation period was 62.6% or 20.7% lower than its peer group average of 83.3%, as shown in the chart

below.¹

Loan-to-Deposit Ratios															
	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	Avg.
Bank	73.0	70.1	68.3	66.1	65.5	62.3	60.7	59.2	59.0	59.1	59.3	57.5	56.8	59.1	62.6
Peer	86.1	85.1	84.7	84.2	82.9	82.4	82.0	82.6	80.1	80.4	82.8	85.1	83.5	84.8	83.3

Assessment Area Concentration: “Outstanding”

During the evaluation period, RSB made 99.5% by number and 99.6% by dollar value of its HMDA-reportable loans within the assessment area. RSB did 93.1% by number and 87.7% by dollar value of its MECA multi-family lending inside the assessment area. This substantial majority of lending inside of its assessment area is an excellent record of lending.

The following table shows the percentages of RSB’s HMDA-reportable and MECA 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											
2010	401	100.0%	-	0.0%	401	219,502	100.0%	-	0.0%	219,502	
2011	346	99.1%	3	0.9%	349	201,406	99.5%	1,048	0.5%	202,454	
2012	454	99.1%	4	0.9%	458	280,474	99.1%	2,475	0.9%	282,949	
6 mos. 2013	260	99.6%	1	0.4%	261	148,059	99.8%	224	0.2%	148,283	
Subtotal	1,461	99.5%	8	0.5%	1,469	849,441	99.6%	3,747	0.4%	853,188	
MECA Loans											
2010	11	100.0%	-	0.0%	11	12,940	100.0%	-	0.0%	12,940	
2011	48	92.3%	4	7.7%	52	71,547	88.9%	8,975	11.1%	80,522	
2012	34	91.9%	3	8.1%	37	32,874	78.3%	9,100	21.7%	41,974	
6 mos 2013	41	93.2%	3	6.8%	44	71,582	89.6%	8,330	10.4%	79,912	
Subtotal	134	93.1%	10	6.9%	144	188,943	87.7%	26,405	12.3%	215,348	
Grand Total	1,595	98.9%	18	1.1%	1,613	1,038,384	97.2%	30,152	2.8%	1,068,536	

Geographic Distribution of Loans: “Low Satisfactory”

The distribution of HMDA reportable and MECA loans based on lending in census tracts of varying income levels demonstrated an adequate penetration rate of lending.

¹ As per FFIEC Uniform Bank Performance Report, peer group consists of insured savings banks having assets greater than \$1 billion.

HMDA-reportable loans accounted for 82% of loans reviewed for geographic distribution while MECA loans accounted for 18%.

HMDA-Reportable Loans:

The distribution of HMDA-reportable loans based on geographic income of the census tracts demonstrated a marginally adequate level of lending in LMI geographies.

In all three years of the evaluation period (2010-2012), RSB underperformed by number and dollar value compared to the respective aggregate levels. Overall, including loans made during the first six months of 2013, RSB made 1.3% of loans by number and 1.2% by dollar value in low-income census tracts, underperforming the aggregate levels of 2.1% and 3.0%, respectively.

During the evaluation period, RSB made 10.1% by number of loans and 7.7% by dollar value in LMI census tracts, underperforming its aggregate levels of 14.2% both by number and dollar value.

The following chart provides a summary of RSB's HMDA-reportable lending distribution based on the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2010									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	1.2%	1,453	0.7%	2,380	2.0%	1,168,101	2.5%	1.8%
Moderate	41	10.2%	13,289	6.1%	14,095	12.1%	4,920,593	10.5%	14.2%
LMI	46	11.5%	14,742	6.7%	16,475	14.1%	6,088,694	13.0%	16.0%
Middle	111	27.7%	37,552	17.1%	49,168	42.0%	15,502,617	33.0%	45.9%
Upper	244	60.8%	167,208	76.2%	51,174	43.8%	25,284,006	53.8%	38.1%
Unknown	0	0.0%	0	0.0%	143	0.1%	128,030	0.3%	
Total	401	100.0%	219,502	100.0%	116,960	100.0%	47,003,347	100.0%	100.0%
2011									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	0.9%	1,676	0.8%	2,449	2.2%	1,736,942	3.6%	1.8%
Moderate	36	10.4%	16,376	8.1%	13,780	12.4%	6,035,493	12.3%	14.2%
LMI	39	11.3%	18,052	9.0%	16,229	14.6%	7,772,435	15.9%	16.0%
Middle	97	28.0%	42,092	20.9%	45,262	40.7%	14,650,680	30.0%	45.9%
Upper	210	60.7%	141,262	70.1%	49,455	44.5%	26,288,958	53.8%	38.1%
Unknown		0.0%		0.0%	161	0.1%	165,443	0.3%	
Total	346	100.0%	201,406	100.0%	111,107	100.0%	48,877,516	100.0%	100.0%
2012									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	9	2.0%	5,739	2.0%	2,870	2.2%	1,760,961	3.0%	2.3%
Moderate	27	5.9%	14,476	5.2%	15,366	11.7%	6,408,634	10.8%	15.0%
LMI	36	7.9%	20,215	7.2%	18,236	13.9%	8,169,595	13.7%	17.3%
Middle	84	18.5%	45,170	16.1%	51,475	39.2%	17,822,270	30.0%	43.8%
Upper	330	72.7%	213,761	76.2%	61,253	46.7%	33,169,813	55.8%	38.9%
Unknown	4	0.9%	1,328	0.5%	253	0.2%	276,400	0.5%	
Total	454	100.0%	280,474	100.0%	131,217	100.0%	59,438,078	100.0%	100.0%
6 months ended June 30, 2013									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	0.8%	907	0.6%	Data not available				2.3%
Moderate	25	9.6%	11,564	7.8%					15.0%
LMI	27	10.4%	12,471	8.4%					17.3%
Middle	59	22.7%	26,592	18.0%					43.8%
Upper	173	66.5%	108,527	73.3%					38.9%
Unknown	1	0.4%	469	0.3%					
Total	260	100.0%	148,059	100.0%				100.0%	
GRAND TOTAL									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	19	1.3%	9,775	1.2%		2.1%		3.0%	
Moderate	129	8.8%	55,705	6.6%		12.0%		11.2%	
LMI	148	10.1%	65,480	7.7%		14.2%		14.2%	
Middle	351	24.0%	151,406	17.8%		40.6%		30.9%	
Upper	957	65.5%	630,758	74.3%		45.1%		54.6%	
Unknown	5	0.3%	1,797	0.2%		0.2%		0.4%	
Total	1,461	100.0%	849,441	100.0%		100.0%		100.0%	

“Modifications, Extensions and Consolidation Agreements” (MECA) Loans

During the evaluation period, RSB made \$188.9 million in loans secured by multi-family residential rental properties modified and not included for HMDA reporting purposes.

RSB modified and/or extended 17.9% by number and 18.5% by dollar value in low income census tracts; and 58.2% by number and 60.7% by dollar value in low- and moderate income census tracts, demonstrating an excellent penetration rate of lending. These ratios were much better than the demographics of RSB's assessment area.

Distribution of MECA Lending by Geographic Income of the Census Tract									
2010									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	18.2%	1,300	10.0%	Not Applicable				1.8%
Moderate	4	36.4%	4,900	37.9%					14.2%
LMI	6	54.5%	6,200	47.9%					16.0%
Middle	1	9.1%	2,500	19.3%					45.9%
Upper	4	36.4%	4,240	32.8%					38.1%
Unknown		0.0%		0.0%					
Total	11		12,940						100.0%
2011									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	14.6%	8,789	12.3%	Not Applicable				1.8%
Moderate	21	43.8%	36,339	50.8%					14.2%
LMI	28	58.3%	45,128	63.1%					16.0%
Middle	11	22.9%	19,057	26.6%					45.9%
Upper	9	18.8%	7,362	10.3%					38.1%
Unknown		0.0%		0.0%					
Total	48		71,547						100.0%
2012									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	20.6%	7,611	23.2%	Not Applicable				2.3%
Moderate	12	35.3%	11,410	34.7%					15.0%
LMI	19	55.9%	19,021	57.9%					17.3%
Middle	8	23.5%	6,538	19.9%					43.5%
Upper	7	20.6%	7,315	22.3%					38.9%
Unknown		0.0%		0.0%					
Total	34		32,874						100.0%
6 months ending 6/30/2013									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	19.5%	17,230	24.1%	Not Applicable				2.3%
Moderate	17	41.5%	27,020	37.7%					15.0%
LMI	25	61.0%	44,250	61.8%					17.3%
Middle	9	22.0%	15,085	21.1%					43.5%
Upper	7	17.1%	12,247	17.1%					38.9%
Unknown		0.0%		0.0%					
Total	41		71,582						100.0%
GRAND TOTAL									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	24	17.9%	34,930	18.5%	Not Applicable				
Moderate	54	40.3%	79,669	42.2%					
LMI	78	58.2%	114,599	60.7%					
Middle	29	21.6%	43,180	22.9%					
Upper	27	20.1%	31,164	16.5%					
Unknown	-	0.0%	-	0.0%					
Total	134		188,943						

Distribution by Borrower Characteristics: “Low Satisfactory”

The distribution of HMDA 1-4 family residential loans demonstrated an adequate rate of lending among individuals of different income levels.

HMDA 1-4 Family Loans:

RSB’s HMDA 1-4 family residential lending demonstrated an adequate penetration rate of lending among individuals of different income levels.

During the evaluation period, RSB made 3.0% by number and 0.6% by dollar value of its 1-4 family mortgage loans to low-income borrowers, underperforming its peer by loan number (3.2%) and by dollar value (1.3%). RSB’s penetration ratio to moderate-income borrowers outperformed the peer group by loan number (13.5% vs. 12.1%) but underperformed the peer group by dollar value (4.3% vs. 6.2%). Overall, penetration ratios to LMI borrowers were 16.5% by loan number and 4.9% by dollar value, outperforming the aggregate by loan number (15.3%) but underperforming the aggregate by dollar value (7.5%).

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									
2010									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	14	3.5%	2,014	0.9%	3,194	2.8%	465,866	1.1%	26.5%
Moderate	83	21.0%	15,585	7.2%	14,100	12.2%	2,775,793	6.5%	16.8%
LMI	97	24.5%	17,599	8.1%	17,294	15.0%	3,241,659	7.5%	43.3%
Middle	35	8.8%	6,464	3.0%	25,990	22.5%	6,565,076	15.3%	18.6%
Upper	259	65.4%	190,555	87.6%	68,705	59.5%	31,470,447	73.2%	38.1%
Unknown	5	1.3%	2,804	1.3%	3,411	3.0%	1,709,864	4.0%	
Total	396		217,422		115,400		42,987,046		
2011									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	15	4.5%	1,497	0.8%	3,612	3.3%	510,504	1.2%	26.5%
Moderate	53	15.7%	9,906	5.1%	13,188	12.1%	2,544,791	6.0%	16.8%
LMI	68	20.2%	11,403	5.8%	16,800	15.4%	3,055,295	7.2%	43.3%
Middle	24	7.1%	4,880	2.5%	23,571	21.6%	5,838,358	13.8%	18.6%
Upper	244	72.4%	178,480	91.4%	64,218	59.0%	31,003,071	73.4%	38.1%
Unknown	1	0.3%	473	0.2%	4,328	4.0%	2,316,142	5.5%	
Total	337		195,236		108,917		42,212,866		
2012									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	10	2.3%	1,292	0.5%	4,488	3.5%	738,370	1.5%	26.1%
Moderate	30	6.8%	5,122	1.9%	15,321	12.0%	3,087,677	6.1%	17.0%
LMI	40	9.1%	6,414	2.4%	19,809	15.5%	3,826,047	7.6%	43.1%
Middle	28	6.4%	4,057	1.5%	27,443	21.4%	6,989,751	13.9%	18.3%
Upper	369	84.2%	257,549	95.8%	75,264	58.7%	36,161,450	71.7%	38.6%
Unknown	1	0.2%	840	0.3%	5,656	4.4%	3,447,413	6.8%	
Total	438		268,860		128,172		50,424,661		
Six months ended June 30, 2013									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	4	1.6%	419	0.3%					26.1%
Moderate	27	10.5%	4,988	3.4%					17.0%
LMI	31	12.1%	5,407	3.7%					43.1%
Middle	26	10.2%	5,082	3.5%					18.3%
Upper	197	77.0%	134,637	92.6%					38.6%
Unknown	2	0.8%	293	0.2%					
Total	256		145,419						
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	43	3.0%	5,222	0.6%		3.2%		1.3%	
Moderate	193	13.5%	35,601	4.3%		12.1%		6.2%	
LMI	236	16.5%	40,823	4.9%	53,908	15.3%	10,123,007	7.5%	
Middle	113	7.9%	20,483	2.5%		21.8%		14.3%	
Upper	1,069	74.9%	761,221	92.1%		59.1%		72.7%	
Unknown	9	0.6%	4,410	0.5%		3.8%		5.5%	
Total	1,427		826,937						

Community Development Lending: “Outstanding”

During the evaluation period, RSB originated \$96.8 million in new community development loans and had \$81.8 million outstanding from prior evaluation periods. The current lending level of community development loans (\$178.6 million) during the evaluation period represented 1.02% of RSB’s assets on an annualized basis. This demonstrated an excellent level of community development lending over the course of the evaluation period².

The majority of community development loans consisted of Modifications, Extensions, Consolidation Agreements (MECA Lending) on affordable multifamily rental properties and mixed-used properties. RSB made \$96.6 million in loans to help preserve affordable rental housing for low- and moderate- income individuals. RSB demonstrated more than reasonable responsiveness to the community development needs of its assessment area.

Of all community development loans, 89.9% of the dollars were used for affordable housing, 7.4% for community services, and 2.6% for economic development.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	71	96,555	29	64,067
Economic Development	1	250	2	4,429
Community Services			2	13,273
Total	72	96,805	33	81,769

Below are highlights of RSB’s community development lending.

Affordable Housing

- RSB refinanced \$3.1 million (including \$315,349 new money) commercial mortgage on a 6-story mixed-used apartment building located in the Bronx, New York. The property contains 96 rent stabilized residential units and five ground level retail stores occupied by small business owners. 93 units are affordable since rents are lower than HUD’s fair market rents.
- RSB extended a \$3 million revolving line of credit to a non-profit community development financial institution to finance affordable housing projects in NYC. This non-profit organization is a nationally recognized leader in affordable

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.

housing finance and has provided capital to underserved housing markets in New York State since its inception in 1974.

- RSB extended a \$750,000 term loan to finance the lending activities of a CDFI serving non-profit community development organizations and small businesses in NY, NJ and CT. The CDFI manages three loan programs: affordable and supportive housing, child-care facilities and not-for-profit facilities.
- RSB extended \$750,000 commercial mortgage to acquire a two contiguous 3-story multifamily building located in a low income census tract in Westchester, New York. The property contains 18 residential units which are subject to rent stabilization. 100% of the units are considered affordable since rents were lower than HUD's fair market rents.
- RSB approved \$2.1 million rate modification mortgage secured by a 4-story apartment building located in a moderate-income census tract in Westchester, New York. The property consists of 34 rental units which are subject to rent stabilization. 100% of the units are considered affordable since rents were lower than HUD's fare market rents.

Economic Development

- RSB extended a \$250,000 loan participation to finance the \$ 10 million "NYBA Storm Sandy Small Business Emergency Loan Fund" that provided immediate financial assistance to small businesses hardest hit by Superstorm Sandy. Eligible businesses received low-interest loans of up to \$25,000 to cover the costs of repair facilities or equipment or as working capital to restart or continue their business operations. The fund was created by the New York Business Development Corporation (NYBDC) through contributions from members of the New York Bankers Association.

Flexible and/or Innovative Lending Practices:

RSB offered flexible lending products to meet the credit needs of its assessment area to make home ownership more affordable to lower income homebuyers. Two of its major HMDA-reportable home products included: 1) Mortgage programs financed by the State of New York Mortgage Agency (SONYMA); and 2) RSB's Affordable Mortgage Loan product.

During the evaluation period, RSB originated 22 SONYMA loans totaling \$5.4 million, in the agency's affordable loan products, "Achieving the Dream" and "Low Interest Rate Program". RSB's Affordable housing product offered flexible loan terms and repayment plans and have made seven loans totaling \$1.5 million.

By participating in the Storm Sandy Emergency Loan Fund, RSB demonstrated

responsiveness to the immediate credit needs of the New York State areas affected by this natural disaster. RSB has also closed 36 HMDA reportable loans for \$7.5 million in Breezy Point, Queens, NY, to assist the community in rebuilding after the storm.

INVESTMENT TEST: “High Satisfactory”

RSB’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.*

RSB’s community development investments were reasonable in light of the assessment area’s credit needs.

Amount of Community Development Investments:

During the evaluation period, RSB made \$12.9 million in new community development investments and had \$10.4 million outstanding from prior evaluation periods. Including grants of \$925,392, total investments amounted to \$24.2 million. The current level of qualified investments represented 0.14% of total assets when annualized, decreasing from 0.27% at prior evaluation period.

This demonstrated a reasonable level of community development investments and grants over the course of the evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	7	\$ 12,908	7	9,998
Economic Development			2	365
Community Services				
Other (Please Specify)				
Total	7	\$ 12,908	9	10,363
	# of Grants	\$000	Not Applicable	
CD Grants				
Affordable Housing	46	\$ 64		
Economic Development	53	\$ 40		
Community Services	559	\$ 765		
Revitalize & Stabilize	45	\$ 56		
Total	703	\$ 925		

Below are highlights of RSB's community development investments and grants.

RSB invested in seven CRA-qualified mortgage backed securities (MBS) amounting to \$12.9 million, with pools of loans made to low- and moderate-income borrowers inside the assessment area.

RSB had 82.7% or \$765,000 of its CD grants in various forms of community services including: \$39,149 to a non-profit organization that addresses the issues of hunger and poverty; \$62,100 to more than 46 organizations providing food pantries and soup kitchens within its assessment area; \$26,750 to a non-profit human service agency that serves more than 4,000 children and their families in Brooklyn, Queens and throughout Long Island; and \$8,500 to a non-profit organization that facilitates free health care for the relief of pain and suffering to those who have the most need and the least access to medical care.

Innovativeness of Community Development Investments:

RSB had limited use of innovative investments to support community development.

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

RSB, as indicated in the number and dollar value of its community development grants, as well as in other investments exhibited a reasonable level of responsiveness to credit and community development needs.

SERVICE TEST: "Outstanding"

RSB'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.*

RSB'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"

RSB continues to have excellent delivery systems, branch network, branch hours and services, and alternative delivery systems.

Current distribution of the banking institutions branches:

RSB's branches continue to represent an excellent distribution of branches within its assessment area.

Including the main headquarters in Ridgewood (Queens County), RSB has 36 branches located throughout seven counties in its assessment area: Queens, Bronx, Brooklyn (Kings), Manhattan (New York), Nassau, Suffolk and Westchester. Nine of these branches are in moderate income census tracts.

Distribution of Branches within the Assessment Area							
County	N/A	Low	Moderate	Middle	Upper	Total	LMI
	#	#	#	#	#	#	%
Bronx			3	4	1	8	38%
Kings			2	1	2	5	40%
New York					2	2	0%
Queens			4	1	5	10	40%
Nassau				5	1	6	0%
Suffolk				2		2	0%
Westchester				3		3	0%
Total	-	-	9	16	11	36	25%

Record of opening and closing branches:

RSB's record of opening and closing branches has not adversely affected the accessibility of its delivery systems.

One branch in low-income census tract in Bronx was closed in 2010, but deposit and other branch services were merged with another branch 0.3 miles of the closed branch site. Another branch was relocated in 2011 just 283 feet from the prior location. There were no new branches opened during the evaluation period.

Availability and effectiveness of alternative systems for delivering retail services:

RSB's delivery systems continue to be readily accessible to significant portions of the banks' assessment area, particularly LMI geographies and individuals.

With the exception of the mobile branch and one branch in an upper income census tract, all branches offer 24/7 onsite ATMs. The Mobile Branch offers ATM services when the branch is operational, either at an approved location or at approved community events (e.g., walks, parades, etc.).

Other delivery channels available to customers are online banking, mobile banking, telephone banking, and banking by mail.

Range of services provided:

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

All branches have extended hours (through 7:00 PM) once a week and are open Saturdays. RSB also operates a consumer loan servicing center, two mortgage centers, and a retirement plan servicing center in the assessment area.

RSB participates in the NYC Office of Financial Empowerment (OFE)'s Safe Start Account program which offers no overdraft fees and monthly fees, a \$25 minimum balance requirement and completion of basic banking training at an OFE center. The program was created to help alleviate the problem of unbanked households using costly alternative financial services.

Community Development Services: "High Satisfactory"

RSB provided a reasonable level of community development services. Highlights of RSB's community development services are as follows:

- Sandy relief efforts - RSB has a branch in Breezy Point, Rockaway, Queens, which was devastated by fire and flood when Superstorm Sandy hit New York City. Without electricity or water, the branch managed to open three days after the storm with a generator and flashlights, so customers could access to their accounts and money. In response to the needs for temporary housing and reconstruction costs, RSB instituted a loan forbearance program for affected borrowers. Since the storm, RSB has closed 36 loans for \$7.5 million in the Breezy Point to assist in helping to rebuild after the storm.
- RSB has two Banking Development Districts (BDDs) branches in under-banked areas in Bronx County.
- RSB participated and sponsored various financial literacy programs and events to educate LMI individuals and their family members about the importance of saving for the future and credit building; budgeting and other money management concepts. These programs include the American Bankers Association's Teach Children to Save Program, Get Smart about Credit workshop and Money Matters workshop.
- RSB conducted First-time Homebuyers Workshops with the objective of providing practical, useful information to prospective homebuyers. The workshops were designed to educate attendees to be aware of various predatory lending schemes. The workshops aimed towards LMI first-time home buyers.

64% of these home counseling events were held at branches in moderate income census tracts and one in a non-profit organization that provides services for at-risk young adults throughout New York City.

- Several members of the Board of Trustees and senior officers served on the board and working committees of community based organizations providing a range of services to LMI individuals. For example, a member of RSB's Board of Trustees serves on the Board of Directors of two non-profits providing housing, emergency food and other services to people with severe disabilities.
- RSB, in partnership with another not-for-profit organization, conducted free tax preparation services for low-income Bronx residents. All free tax preparation days were held in moderate-income communities.
- RSB offers an innovative and unique mobile branch that "brings the bank" to seniors and assisted living facilities.

Additional Factors

The following factors were also considered in assessing RSB'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

The Bank has regular CRA meetings with an established CRA Committee. The Committee is made up of the Chairman, President and CEO, Executive Vice President & Chief Lending Officer, VP & Compliance Officer, and four other senior officers. CRA Committee minutes are shared with the Board of Trustees.

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 RSB.

- *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.

RSB maintains a strong working relationship with a large number of non-profit organizations that are actively engaged in community development activities within the assessment area. RSB utilizes their knowledge and feedback in identifying the needs of various communities.

In response to the feedback received from the community based groups, RSB enhanced its proprietary affordable housing product in 2013. Two additional mortgage specialists were assigned to the Bronx and Brooklyn communities to help LMI individuals with their 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

RSB advertises its products and services in multiple languages, conducts various workshops and advertises such workshops as well as credit and deposit products in the bank's lobbies, community newspapers and local newspapers, and television.

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

DFS noted no other factors.

GLOSSARY

Aggregate Penetration Rate

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

Community Development

“Community development”:

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

Community Development Loan

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

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

Community Development Service

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

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

Geography

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

Home Mortgage Disclosure Act (“HMDA”)

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

Income Level

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

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.