



**NEW YORK STATE BANKING DEPARTMENT  
CONSUMER SERVICES DIVISION**

One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2001

**Institution:** United Orient Bank  
10 Chatham Square  
New York, NY 10038

**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 Banking Department concerning the safety and soundness of this financial institution.

## TABLE OF CONTENTS

	Section
General Information .....	1
Overview of Institution's Performance.....	2
Performance Context.....	3
Institution's Profile	
Assessment Area	
Performance Standards and Assessment Factors .....	4
Loan-to-Deposit Analysis	
Proportion of Lending Within Assessment Area	
Geographic Distribution of Lending	
Borrower Distribution of Lending	
Action Taken in Response to Written Complaints	
With Respect to CRA	
Discrimination or Other Illegal Practices	
Process Factors	
Other Factors	
Exhibits .....	5
Glossary .....	6

## GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of United Orient Bank (“UOB”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2001.

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

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking 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 Banking 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 be made available to the public (“Evaluation”). Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

## OVERVIEW OF INSTITUTION'S PERFORMANCE

United Orient Bank is rated "2", indicating a satisfactory record of helping to meet community credit needs.

- The bank's loan-to-deposit ("LTD") ratio is reasonable given the bank's size, financial condition and assessment area credit needs. For the eight quarters ending December 31, 2001 the bank's average LTD ratio was 64.2%, which was below the UBPR peer group's ratio of 75.9%.
- The bank's assessment area concentration needs to improve. A majority of the loans originated, in number and dollar amount, were located outside the assessment area. In 2000, the bank extended a total of 17 (37.8%) residential and small business loans, totaling \$6.6 million (53.2%), in its assessment area. In 2001, residential and small business loans totaled 17 (30.9%), aggregating \$2.9 million (19.0%) in the assessment area, reflecting a constant number but a declined percentage of assessment area loans.
- The bank's geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. In 2000, the bank originated 75% (12) small business loans, totaling \$3.6 million (61.8%), in low-to-moderate income census tracts, exceeding the aggregate's LMI percentages of 25% (number volume) and 21.8% (dollar amount), respectively. In 2001, the bank's small business LMI lending in number and dollar amount were 85.7% (12) and 79.3% (\$2 million), respectively, showing a constant number but increased percentage of loans in LMI tracts. The 2001 aggregate data was not available for purposes of this evaluation.

Given that the institution originated few of its residential loans within the assessment area, a geographic analysis was not performed.

- The distribution of loans reflects a reasonable penetration among individual borrowers of different income levels and businesses of different sizes. In 2000, the bank extended 14 (87.6%) small business loans, totaling \$5.5 million (96.5%), to small businesses with annual gross revenue of less than \$1 million. In 2001, small business loans to businesses with annual gross revenue of less than \$1 million decreased in number and dollar amount, to 11(83.6%) and \$1.9 million (76.2%), respectively.

Given the minimal number of residential loans originated within the assessment, a borrower income analysis was not performed.

- The New York State Banking Department has received no written complaints concerning the bank's CRA performance since the prior Evaluation.

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

## PERFORMANCE CONTEXT

### **Institution's Profile:**

Chartered in 1980, United Orient Bank is an independent commercial bank located in New York City. UOB operates two full-service banking offices in lower Manhattan, including a main office located at 10 Chatham Square and a branch at 185 Canal Street. Both banking offices are located in moderate-income census tracts. Supplementing the banking offices is an ATM network consisting of two locations, one at each office. The bank has served the financial needs of its community by attracting the Asian/Chinese population prevalent in its local area.

The bank offers a variety of credit and deposit products as well as other financial services. Available loan products include residential real estate mortgages, commercial real estate mortgages, commercial loans, revolving line of credits, and personal loans.

As of December 31, 2001, the bank's total assets were \$89.7 million, including total loans of \$50.9 million. UOB's total deposits amounted to \$77.5 million and equity capital was \$8.0 million. The bank is primarily a commercial and residential real estate lender. Real estate loans represented 80.7% of the bank's loan portfolio, of which commercial mortgage loans accounted for 44.9% and residential mortgage loans 35.8%, while commercial and Industrial loans constituted 18.8% of the total loan portfolio and consumer loans 0.4%.

The following table illustrates a breakdown of the bank's loan portfolio as of December 31, 2000 and December 31, 2001, based on data derived from the FFIEC's Consolidated Report of Condition:

Loan Type	December 31, 2001		December 31, 2000	
	\$'000	%	\$'000	%
Real estate – commercial	22,785	44.9	19,861	43.5
Real estate – residential	18,215	35.8	18,605	40.7
Commercial and industrial	9,592	18.8	6,999	15.3
Consumer loans	225	0.4	129	0.3
Other loans	99	0.1	102	0.2
<b>Gross Loans</b>	<b>50,916</b>	<b>100</b>	<b>45,696</b>	<b>100</b>

There are no legal or financial impediments noted that would adversely impact the bank's ability to meet the credit needs of its community.

According to the FDIC/OTS Summary of Deposits comparative deposit data, dated June 30, 2001, the bank had a market share of 0.04% (\$78.8 million) of all deposits and ranked 68<sup>th</sup> in New York County. UOB is located in a highly competitive market and competes against institutions with substantially greater resources and wider branch office networks.

The bank did not open or close any offices in the past three years. UOB intends to open a new branch in Flushing, Queens County, New York in the third quarter of 2002.

### **Assessment Area:**

The bank's assessment area has not changed since the prior evaluation and includes all of Manhattan south of 14<sup>th</sup> Street. UOB's assessment area includes 63 census tracts, of which 25 (39.7%) are low-to-moderate income tracts ("LMI"), 10 (15.9%) are middle income, 25 (39.7%) are upper income and three (4.8%) are zero-income tracts. The assessment area appears reasonable based upon the bank's branch locations and its lending pattern. The assessment area does not arbitrarily exclude LMI geographies.

### **Demographics**

According to 1990 census data, the assessment area had a total population of 278,137, of which 141,024 (50.7%) lived in LMI tracts. Eighty six point seven percent of the population was over the age of 16 years and 12.7% was over the age of 65 years. Twenty-two point five percent of the area was Asian, 6.7% Black, 21.0% Hispanic and 49.4% White. The total number of households was 128,281, of which 50,924 (39.7%) are in LMI tracts. There were 136,973 housing units with 39% located in LMI census tracts.

New York County (Manhattan) had a population of 1,487,536 in 1990, which increased 4.3% to an estimated 1,551,844 by July 1999. The 1990 median family income for the county was \$36,831. The 2000 HUD estimated median family income for the MSA was \$56,200. Forty-two point six percent of all families in the county are LMI, and 16.8% live below the poverty level. There are 298 census tracts of which 43% are considered LMI. Sixty-eight point three percent of families who live in LMI census tracts are of low-to-moderate income means. Seventy-six point five percent of LMI families in the county live in LMI census tracts.

There are 785,127 housing units in Manhattan, less than 3% of which are 1-4 family units. Sixteen point three percent of the housing units are owner occupied, and 9% of those units are located in LMI census tracts. Nine point six percent of all housing units are vacant/boarded up. The median housing value for the county is \$212,357, the highest in New York City. The average age of houses located in LMI census tracts in 1990 was 42 years.

According to the New York State Department of Labor, the county unemployment rate was 5.2% in January of 2001 and increased to 7.2% by December of 2001<sup>1</sup>.

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<sup>1</sup> Unless otherwise indicated the source used for this section is the 1990 Census. The percentages reflecting multifamily and 1-4 units do not include boarded up buildings and mobile homes. Estimated population increases or decreases since 1990 is from Population Estimates Program, Population Division, U.S. Bureau of the Census, Washington, DC 20233. Unemployment figures are from New York State Department of Labor, Division of Research and Statistics. The updated median family income data is obtained from HUD annual estimates. Zero income census tracts have been excluded from the analysis.

## PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

UOB's CRA performance was assessed based on small banking institution performance standards, which included the following factors: loan-to-deposit ratio, assessment area lending concentration, geographic distribution of lending based on census tract income, borrower distribution of lending, and response to CRA related complaints.

This evaluation is based primarily on UOB's small business lending, and, to a lesser degree, its residential mortgage activity for full years 2000 and 2001. It is noted that the bank created its residential mortgage program in 1998, and accordingly, this is the first evaluation that incorporates an analysis of such lending.

The demographic data referred to in this report was obtained from the 1990 U.S. Census along with the updated HUD-estimated median family income.

- **Loan-to-Deposit Analysis** - "Satisfactory"

The bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's loan-to-deposit ratio has fluctuated during the evaluation period, ranging from a high of 69.3% at the end of the first quarter of 2000, to a low of 59.6% at the end of the first quarter of 2001. For the eight quarters ending December 31, 2001, the bank's average LTD ratio was 64.2%, which was below the UBPR peer group's ratio of 75.9%(Table 1). UOB's peer group includes all insured commercial banks having assets between \$50 million and \$100 million, with two or less banking offices, and located in a metropolitan area.

Table 1 Loan-to-Deposit Ratio

LTD (%)	1Q'00	2Q'00	3Q'00	4Q'00	1Q'01	2Q'01	3Q'01	4Q'01	8Q's Avg.
The bank	69.28	68.33	64.04	62.51	59.58	61.39	64.29	64.36	64.22
UBPR Peer	74.42	75.57	76.38	75.99	75.70	76.08	76.22	76.49	75.86

Source: Uniform Bank Performance Report

- **Proportion of Lending Within Assessment Area** – "Needs to Improve"

The bank's assessment area concentration needs to improve, as a majority of both the number and dollar volume of loans were originated outside of the assessment area. In 2000, UOB extended a total of 17 (37.8%) residential and small business loans, totaling \$6.6 million (53.2%), in its assessment area (see Tables 2 and 3 below). In 2001, the bank extended a total of 17 (30.9%) residential and small business loans, totaling \$2.9 million (19.0%), in its

assessment area, representing a constant number, but a declined percentage of assessment area loans. The total for the evaluation period was 34 (34%) residential and small business loans for \$9.5 million (34.2%).

It is recognized that, given the nature of the housing stock, there are somewhat limited opportunities to extend 1-4 family residential loans in the assessment area. Notwithstanding these limitations, however, the assessment area percentage for residential lending is considered particularly weak.

Table 2

Assessment Area (AA) Distribution of Loans by number (#)									
Type of Loans	2000			2001			Total		
	AA	All Area	%	AA	All Area	%	AA	All Area	%
Residential	1	15	6.7	3	12	25.0	4	27	14.8
Small Business	16	30	53.3	14	43	32.6	30	73	41.1
Total	17	45	37.8	17	55	30.9	34	100	34.0

Table 3

Assessment Area (AA) Distribution of Loans by Dollar Amount (\$'000)									
Type of Loans	2000			2001			Total		
	AA	All Area	%	AA	All Area	%	AA	All Area	%
Residential	800	3,104	25.8	410	2,223	18.4	1,210	5,327	22.7
Small Business	5,769	9,254	62.3	2,514	13,145	19.1	8,283	22,399	37.0
Total	6,569	12,358	53.2	2,924	15,368	19.0	9,493	27,726	34.2

- **Geographic Distribution of Lending** – “Satisfactory”

The geographic distribution of UOB’s loans reflects a reasonable dispersion throughout its assessment area. The geographic distribution of small business loans was considered outstanding. In 2000, the bank originated 12(75%) small business loans, totaling \$3.6 million (61.8%), in low-to-moderate income census tracts, far exceeding the aggregate’s LMI percentages of 25% (number volume) and 21.8% (dollar amount), respectively. In 2001, the bank’s small business LMI lending in number and dollar amount were 12(85.7%) and \$2 million (79.3%), respectively, showing a constant number but increased percentage of loans in LMI tracts. The 2001 aggregate data was not available for purposes of this evaluation. The total for the evaluation period was 24(80%) small business loans in LMI geographies (refer to Table 4 and 5 below).

Table 4

Distribution of Small Business Loans by Geography Income Level (#)								
Tract Income Level	2000				2001		Total	
	#	%	Aggregate		#	%	#	%
			#	%				
Low	2	12.5	1,135	8.3	1	7.1	3	10.0
Moderate	10	62.5	2,276	16.7	11	78.6	21	70.0
Middle	2	12.5	1,675	12.3	1	7.1	3	10.0
Upper	2	12.5	7,835	57.6	1	7.1	3	10.0
NA	0	0	675	5.0	0	0	0	0
Total	16	100	13,596	100	14	100	30	100

Table 5

Distribution of Small Business Loans by Geography Income Level (\$000's)								
Tract Income Level	2000				2001		Total	
	\$	%	Aggregate		\$	%	\$	%
			\$	%				
Low	401	6.9	51,161	9.9	5	0.2	406	4.9
Moderate	3,165	54.9	61,577	12.0	1,989	79.1	5,154	62.2
Middle	1,400	24.3	43,181	8.4	490	19.5	1,890	22.8
Upper	803	13.9	302,204	58.6	30	1.2	833	10.1
NA	0	0	57,199	11.1	0	0	0	0
Total	5,769	100	515,322	100	2,514	100	8,283	100

The bank originated only one home purchase loan in 2000 and one home purchase loan and two refinance loans in 2001, inside the assessment area. Due to the weak assessment area concentration of residential loans, a geographic distribution analysis thereof does not offer any meaningful insight (refer to exhibit 2).

- **Borrower Distribution of Lending** – “Satisfactory”

The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. In 2000, the bank extended 13 (81.3%) small business loans, totaling \$4.6 million (80.1%), to small businesses with annual gross revenue of less than \$250,000. In 2001, small business loans to businesses with annual gross revenue of less than \$250,000 decreased in number and dollar amount, to 8(57.1%) and \$1.9 million (74.4%), respectively. The total for the evaluation period was 25 (83.3%) small business loans

to businesses with annual gross revenue of less than \$1 million (refer to Table 6 below).

Table 6

Distribution of Small Business Loans to Borrowers of Different Revenue Level								
Gross Annual Revenue (000's)	2000				2001			
	# of Loans	%	\$('000)	%	# of Loans	%	\$('000)	%
≤ \$100	3	18.8	496	8.6	5	35.8	1,344	53.4
> \$100 ≤ \$250	10	62.5	4,123	71.4	3	21.4	525	20.9
> \$250 ≤ \$1,000	1	6.3	950	16.5	3	21.4	45	1.8
> \$1,000	2	12.5	200	3.5	3	21.4	600	23.9
Total	16	100	5,769	100	14	100	2,514	100

However, during the evaluation period, the bank did not originate any residential mortgage loans to LMI borrowers (refer to exhibit 1 and 3).

### **Action Taken In Response to Written Complaints With Respect to CRA**

There were no CRA related complaints received since the last performance evaluation.

### **Discrimination or Other Illegal Practices**

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

There were no practices noted that seemed intended to discourage applications for types of credit offered by the bank.

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

The most recent regulatory compliance report concurrent with this assessment indicates a satisfactory performance in terms of adherence to antidiscrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

### **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.**

UOB ascertains community needs through the involvement of board members and officers with local trade associations, and religious and charitable organizations. The bank's Board of Directors, comprised of local businessmen, are also community leaders and as such have access to the community residents and professionals. A member of the board was recently re-elected as the Chairman of the United Chinese Associations of Greater New York, which consists of more than 100 various associations.

**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.**

UOB advertises its products and credit services mainly through local Chinese newspapers and, to some lesser extent, other journals of various organizations. The bank also uses other advertising media including radio and cable television outlets. In addition, the bank's senior officers often speak at seminars sponsored by local business development organizations. These seminars provide information and exposure regarding the bank's products and services.

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

The Board of Directors reviews the bank's overall CRA performance annually. CRA issues are discussed at monthly Board meetings.

**Other Factors**

**Other factors that in the judgement of the Superintendent and Banking Board bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.**

The bank is a supporter of the Chinatown Manpower Project. This organization provides legal and employment services to Asian immigrants and refugees.

The bank has extended a \$50 thousand credit facility to Asian American Business Development Center since August 1, 1994. The loan has been delinquent for quite some time with principal outstanding balance of \$16,042. This is a New York-based nonprofit marketing consulting firm that assists small business owners improve their ability to compete in the marketplace.

## EXHIBITS

Exhibit 1

Residential Real Estate Loans - Year 2000 - by Borrower Income Level*										
Borrower	Total Lending				Assessment Area Lending				Aggregate**	
Income	Applics.		Originations		Applics.		Originations		Originations	
Level	#	%	#	%	#	%	#	%	#	%
Low	-	0.0	-	0.0	-	0.0	-	0.0	34	1.3
Moderate	3	20.0	3	20.0	-	0.0	-	0.0	154	5.8
Middle	2	13.3	2	13.3	-	0.0	-	0.0	291	10.9
Upper	8	53.3	8	53.3	-	0.0	-	0.0	1,787	67.2
N/A	2	13.3	2	13.3	1	100.0	1	100.0	395	14.8
<b>Total</b>	<b>15</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>2,661</b>	<b>100.0</b>

\* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

\*\* The term "Aggregate" refers to loans originated in the bank's assessment area by all HMDA reporting lenders.

Exhibit 2

Residential Real Estate Loans - Year 2000 - by Geography Income Level*										
Geo	Total Lending				Assessment Area Lending				Aggregate	
Income	Applics.		Originations		Applics.		Originations		Originations	
Level	#	%	#	%	#	%	#	%	#	%
Low	-	0.0	-	0.0	-	0.0	-	0.0	196	7.4
Moderate	-	0.0	-	0.0	-	0.0	-	0.0	336	12.6
Middle	5	33.3	5	33.3	-	0.0	-	0.0	340	12.8
Upper	10	66.7	10	66.7	1	100.0	1	100.0	1,770	66.5
N/A	-	0.0	-	0.0	-	0.0	-	0.0	19	0.7
<b>Total</b>	<b>15</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>2,661</b>	<b>100.0</b>

\* Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

Exhibit 3

<b>Residential Real Estate Loans - Year 2001 - by Borrower Income Level*</b>								
<b>Borrower Income Level</b>	<b>Total Lending</b>				<b>Assessment Area Lending</b>			
	<b>Applics.</b>		<b>Originations</b>		<b>Applics.</b>		<b>Originations</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	3	25.0	3	25.0	-	0.0	-	0.0
Moderate	1	8.3	1	8.3	-	0.0	-	0.0
Middle	-	0.0	-	0.0	-	0.0	-	0.0
Upper	8	66.7	8	66.7	3	100.0	3	100.0
N/A	-	0.0	-	0.0	-	0.0	-	0.0
<b>Total</b>	<b>12</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>

\* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

Exhibit 4

<b>Residential Real Estate Loans - Year 2001 - by Geography Income Level*</b>								
<b>Geo Income Level</b>	<b>Total Lending</b>				<b>Assessment Area Lending</b>			
	<b>Applics.</b>		<b>Originations</b>		<b>Applics.</b>		<b>Originations</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	2	16.7	2	16.7	2	66.7	2	66.7
Moderate	1	8.3	1	8.3	-	0.0	-	0.0
Middle	5	41.7	5	41.7	-	0.0	-	0.0
Upper	3	25.0	3	25.0	-	0.0	-	0.0
N/A	1	8.3	1	8.3	1	33.3	1	33.3
<b>Total</b>	<b>12</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>

\* Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

## GLOSSARY

### Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

### Community Development

The term “community development” is defined to mean:

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.

A “community development loan” is defined as a loan that has as 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.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. 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.

A “community development service” is defined as a service that has as its *primary purpose* community development, 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.

### **Demand-Adjusted Penetration Rate**

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area.

Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

### **Demand-Adjusted Penetration Ratio**

A ratio that depicts geographic penetration of loans by comparing demand-adjusted lending in LMI areas with non-LMI areas. Mathematically, it is arrived at by dividing the demand-adjusted penetration rate in non-LMI areas into the demand-adjusted penetration rate in LMI areas and then expressed as a percentage.

A ratio of 100% means that the institution (or aggregate as appropriate) made an equal number of loans proportionally in LMI and non-LMI areas. Less than 100 percent would indicate less lending in LMI areas on the same basis compared to non-LMI areas, whereas over 100 percent would indicate a greater level of lending in LMI areas versus non-LMI areas.

### **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.

### **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 (“BNAs”), where according to the 1990 US 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 nonmetropolitan 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 the case 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 nonmetropolitan 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**

Those individuals, 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 nonmetropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

### **Small Business Loans**

Loans to businesses with original amounts of \$1 million or less.