



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, 2002

Institution: CHB America Bank
241 Fifth Avenue
New York, NY 10016

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.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of CHB America Bank (“CHB”) 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, 2002.

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

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

This Evaluation was conducted based on the following factors:

- **Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:** The bank's LTD ratio is considered more than reasonable in light of the bank's size, financial condition and the credit needs of its assessment area. The average LTD ratio for 11 quarters since the prior evaluation and ending December 31, 2002 was 101.99%, which was well above the peer group average of 76.89%.
- **Assessment Area Concentration:** The bank extended a substantial majority of small business loans and a majority of HMDA reportable loans within the assessment area.
 - Small Business Loans: In 2001, the bank made 74.5% by number and 89.2% by dollar volume of its small business loans in the assessment area. In 2002, the concentration increased to 81.6% by number, but declined to 83.4% by dollar volume.
 - HMDA Loans: In 2002, the percentages of lending within the assessment area were 58.8% by number and 35.1% by dollar volume.
- **Geographic Distribution of Loans:** The bank's geographic distribution of loans reflects a reasonable dispersion among census tracts of different income levels.
 - Small Business Loans: The bank's low- or moderate-income ("LMI") penetration ratio in 2001 was 23.7% by number and 21.2% by dollar volume. The LMI penetration in 2002 declined significantly to 17.7% by number and 9.2% by dollar volume.
 - HMDA Loans: In 2002, the LMI penetration ratio was 20.0% (two loans out of 10) by number and 9.8% by dollar volume.
- **Borrower's Profile:** The bank's lending distribution in the assessment area according to borrower characteristics reflects excellent penetration among individuals of different income levels and businesses of different sizes.
 - Small Business Loans: In 2001, the bank originated 22 loans or almost 58% of its small business loans to businesses with gross annual revenues of \$1 million or less. This percentage remained the same in 2002.
 - HMDA Loans: In 2002, a relatively high 30% (three out of 10 loans) of the bank's HMDA-reportable loans were granted to LMI borrowers.

- Neither CHB America Bank nor the New York State Banking Department has received any complaints with respect to the bank's Community Reinvestment Act performance.

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 Regulation of the Banking Board.

PERFORMANCE CONTEXT

Institution's Profile:

Chartered in 1990, CHB, formerly ChoHung Bank of New York, is a commercial bank headquartered at 241 Fifth Avenue, New York, NY. Subsequent to the evaluation date, the bank changed to its current name when it merged with California Chohung Bank on March 31, 2003. California Chohung Bank was subsequently converted to the Los Angeles branch. CHB reported total assets of \$125.2 million, as of December 31, 2002. CHB operates two full-service banking offices in New York (one each in Manhattan and Flushing, Queens). Both branches in New York have deposit-taking automated teller machines ("ATMs") on their premises.

CHB is a wholly owned subsidiary of Chohung Bank, Seoul, Republic of Korea ("CBS"). It was founded through a merger between Han Sung Bank (established in 1897) and Dong Il Bank (established in 1906). In 1999, CBS merged with two regional institutions, Chungbuk Bank and Kangwon Bank. The parent bank is one of the oldest and largest commercial banks in South Korea with total assets exceeding \$41 billion as of December 31, 2001.

As of December 31, 2002, CHB reported net loans of \$91 million and total deposits of \$85.1 million, resulting in a LTD ratio of 106.9%. This percentage is significantly above the bank's peer group ratio of 79.0%. CHB's peer group includes all insured commercial banks having assets between \$100 million and \$300 million in a metropolitan area with two or fewer full-service offices.

According to market share data as of June 30, 2002, CHB's market share was 0.03% (\$77.7 million) of \$282.4 billion inside its market, ranking 82nd out of 107 deposit-taking institutions.

Deposit Market Share as of June 30, 2002				
County	Number of Offices	Total Deposits (\$000)	Market Share	Ranking
New York	1	28,018	0.01%	79 th of 95
Queens	1	49,729	0.16%	38 th of 46
Total	2	77,747	0.03%	82nd of 107

The following is a summary of the bank's loan portfolio, based on Schedule RC-C of the bank's December 31, 2002, 2001 and 2000 Consolidated Reports of Condition and Income:

Total Gross Loans Outstanding						
Loan Type	12/31/2002		12/31/2001		12/31/2000	
	\$(000)	%	\$(000)	%	\$(000)	%
Residential Mortgage Loans	23,129	25.0	18,348	23.6	18,521	20.8
Commercial Mortgage Loans	47,170	51.0	37,834	48.6	42,780	48.1
Commercial & Industrial Loans	20,776	22.4	19,912	25.6	25,221	28.4
Consumer Loans	1,466	1.6	1,723	2.2	2,360	2.7
Total Gross Loans	92,541	100.0	77,817	100.0	88,882	100.0

As illustrated in the above table, the bank is primarily a commercial real estate lender. In 2002, CHB reported 51% of its loan portfolio in commercial mortgage loans, 25% in residential mortgages, 22.4% in commercial loans and 1.6% in consumer loans.

CHB offers a variety of lending products including:

- Commercial mortgage loans
- Commercial loans (medium-long term)
- Residential mortgage loans
- Business loans (short term)
- SBA guaranteed loans
- Consumer loans (personal, automobile and credit cards)

The bank's participation in governmentally guaranteed or sponsored loans programs includes the following:

- SBA Loan Guaranty
- SBA Low Documentation Loans
- Excelsior Linked Deposit Program.

At its prior Performance Evaluation by the New York State Banking Department as of July 10, 2000, the bank received a rating of "2," reflecting a satisfactory record of meeting community credit needs.

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

Assessment Area:

CHB has two designated assessment areas, which includes in their entirety New York (Manhattan) and Queens counties. Both counties are part of Metropolitan Statistical Area (“MSA”) 5600. The assessment area consists of 971 census tracts, 215 or 22.1% of which are considered to be LMI, 364 or 37.5% are middle income, 364 or 37.5% are upper income and 28 or 2.9% are zero income.

The assessment area appears reasonable based upon the location of branches and lending patterns. There is no evidence that LMI areas are arbitrarily excluded.

Assessment Area - Distribution by Census Tracts												
County	Low		Moderate		Middle		Upper		N/A		Total	
	#	%	#	%	#	%	#	%	#	%	#	%
New York	63	21.1	65	21.8	33	11.1	126	42.3	11	3.7	298	100
Queens	7	1.0	80	11.9	331	49.2	238	35.4	17	2.5	673	100
Total	70	7.2	145	14.9	364	37.5	364	37.5	28	2.9	971	100

Details of the Assessment Area

New York County: Population: According to the U.S. Census Bureau, the county had a population of 1.5 million in 1990. Approximately 13.3% of the area population were over the age of 65 and 14.9% were under the age of 16.

Families/Households: There were 305.4 thousand families in the county, of which 28.8% (88.0 thousand) were low-income families, 13.8% (42.3 thousand) were moderate-income, 14.3% (43.8 thousand) were middle-income and 43% (131.3 thousand) were upper-income families. Of the 130.2 thousand LMI families, 76.6% (99.7 thousand) lived in LMI census tracts and these families accounted for 68.3% of all the families (145.9 thousand) that lived in LMI areas. There were 716.8 thousand households in the county, of which 16.8% (120.1 thousand) had income below the poverty level.

Housing Units: There were 785.1 thousand housing units in the county, 2.9% (22.6 thousand) of which were 1-4 family units and 95.7% (751.4 thousand) were multifamily units. Approximately 16.3% (128.0 thousand) of all the housing units were owner occupied and 9.7% (12.4 thousand) were in LMI census tracts. Approximately 75% (588.4 thousand) were rental occupied and 39.7% (233.9 thousand) were in LMI areas. Approximately 9.1% (71.2 thousand) of all the housing units were vacant and/or boarded up. The median age of housing was 41 years and the median value was \$212.4 thousand.

Median Family Income: In 1990, the county’s median family income was \$36.8 thousand and the median family income for MSA 5600 was \$37.5 thousand. The U.S. Department of Housing and Urban Development’s (“HUD”) estimated median family income for the MSA was \$62.8 thousand in 2002.

Earnings by Industry: The U.S. Department of Commerce's Bureau of Economic Analysis reported the largest sources of earnings in New York County for 2000 were finance, insurance, and real estate, 40.1%; services, 30.9%; and state and local governments, 9%.

Unemployment Rates: According to the New York Department of Labor, New York County's unemployment rates averaged 6.4% in 2001 and 8.2% in 2002. The county's average rates were significantly above the state's average rates of 4.9% in 2001 and 6.1% in 2002.

Queens County: Population: According to the U.S. Census Bureau, the county had a population of two million in 1990. Approximately 14.7% of the area population were over the age of 65 and 18.6% were under the age of 16.

Families/Households: There were 495.6 thousand families in the county, of which 18.2% (90.2 thousand) were low-income families, 16.4% (81.5 thousand) were moderate-income, 21.7% (107.5 thousand) were middle-income and 43.7% (216.4 thousand) were upper-income families. Of the 171.7 thousand LMI families, 24.4% (41.9 thousand) lived in LMI census tracts and these families accounted for 57.9% of all the families (72.3 thousand) that lived in LMI areas. There were 718.4 thousand households in the county, of which 10.8% (77.9 thousand) had income below the poverty level.

Housing Units: There were 752.7 thousand housing units in the county, 56.6% (426.3 thousand) of which were 1-4 family units and 41.4% (311.8 thousand) were multifamily units. Almost 40.7% (306.1 thousand) of all the housing units were owner occupied and 5.9% (18.0 thousand) were in LMI areas. About 55.0% (414 thousand) were rental occupied and 21% (87.1 thousand) were in LMI areas. Approximately 4.5% (34 thousand) of all the housing units were vacant and/or boarded up. The median age of housing was 41 years and the median value was \$198.1 thousand.

Median Family Income: In 1990, the county's median family income was \$40.4 thousand and the median family income for MSA 5600 was \$37.5 thousand. HUD's estimated median family income for the MSA was \$62.8 thousand in 2002.

Earnings by Industry: The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in Queens County for 2000 were services, 29.8%; transportation and public utilities, 18.2%; and construction, 12.3%.

Unemployment Rates: According to the New York Department of Labor, Queens County's unemployment rates averaged 4.9% in 2001 and 6.5% in 2002. The county's average rate equaled the state's average rate in 2001, but was slightly above the state's average of 6.1% in 2002.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

CHB's performance was evaluated according to the small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and Other Lending-related Activities; (2) Proportion of Lending in the Assessment Area; (3) Geographic Distribution of Lending; (4) Distribution of Lending according to Borrowers Characteristics, and (5) Action Taken In Response to Written Complaints Regarding CRA.

The assessment period covers the years 2001 and 2002. The products considered included HMDA-reportable and small business loans. Consumer loans were not considered since the dollar volume for this category of loan was insignificant compared to the total dollar volume of loans eligible for consideration.

The demographic data referred to in this report was obtained from the 1990 U.S. census, with the updated median family income figures provided by HUD.

- **Loan-to-Deposit Analysis and Other Lending-related Activities:** "Outstanding"

The bank's LTD ratio is more than reasonable given the bank's size, financial condition and assessment area credit needs.

The average LTD ratio for the 11 quarters ended December 31, 2002 is 101.99%, which is well above the peer group's average of 76.9%. These ratios were calculated from information shown in the bank's Uniform Bank Performance Report prepared by the Federal Deposit Insurance Corporation ("FDIC"). As shown in the table below, the bank's LTD ratio has consistently been significantly above the peer group's average.

Loan to Deposit Ratios										
	1 st Quarter		2 nd Quarter		3 rd Quarter		4 th Quarter		Total	
Year	Bank	Peer	Bank	Peer	Bank	Peer	Bank	Peer	Bank	Peer
2002	106.31	78.00	107.83	79.23	117.54	79.52	106.93	79.00	438.61	315.75
2001	91.63	75.13	118.41	76.24	100.85	76.68	105.29	77.77	416.18	305.82
2000			86.26	74.35	90.72	74.35	90.13	75.56	267.11	224.26
	Total								1,121.90	845.83
	Average for 11 quarters								101.99	76.89

- **Proportion of Lending Within Assessment Area:** "Outstanding"

The bank originated a substantial majority of its small business and a majority of HMDA-reportable loans within its assessment area.

Small Business Loans

A substantial majority of the bank's small business loans were originated within the assessment area. As illustrated in the table below, in 2002, CHB extended 81.6% of the total number of small business loans in its assessment area and 83.4% of the

corresponding total dollar amount. This is a significant improvement compared to the 74.5% by number in 2001, but a significant decline when considering the dollar volume percentage of 89.2% for that year.

HMDA Loans

The bank originated a majority of its HMDA-reportable loans within the assessment area. For the two-year period, the percentage of lending within the assessment area was 63.6% by number. However, less than a majority (40%) of the corresponding dollar volume fell inside the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category Or Type	Number					Dollar (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$
Small Business:										
2002	62	81.6	14	18.4	76	10,899	83.4	2,165	16.6	13,064
2001	38	74.5	13	25.5	51	4,848	89.2	590	10.8	5,438
Subtotal	100	78.7	27	21.3	127	15,747	85.1	2,755	14.9	18,502
HMDA:										
2002	10	58.8	7	41.2	17	2,373	35.1	4,397	64.9	6,770
2001	4	80.0	1	20.0	5	711	75.2	235	24.8	946
Subtotal	14	63.6	8	36.4	22	3,084	40.0	4,632	60.0	7,716
Grand Total	114	76.5	35	23.5	149	18,831	71.8	7,387	28.2	26,218

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

The bank’s geographic distribution of lending reflects a reasonable dispersion among census tracts of different income levels.

Small Business Loans:

The bank’s LMI penetration ratio in 2001 was 23.7% (nine loans) by number and 21.2% (\$1 million) by dollar volume. In 2002, the LMI penetration ratio declined to 17.7% by number and to 9.2% by dollar volume.

The chart below illustrates the geographic distribution of small business loans in LMI census tracts as compared to total loans in the assessment area.

Small Business Loans Originated Within The Assessment Area By Geography Income Level								
Geography Income	12/31/2002				12/31/2001			
	#	%	\$(000's)	%	#	%	\$(000's)	%
Low	1	1.6	100	0.9	0	0	0	0
Moderate	10	16.1	905	8.3	9	23.7	1,030	21.2
Total LMI	11	17.7	1,005	9.2	9	23.7	1,030	21.2
Middle	21	33.9	3,795	34.8	11	29.0	1,430	29.5
Upper	27	43.6	5,541	50.9	17	44.7	1,972	40.7
N/A	3	4.8	558	5.1	1	2.6	416	8.6
Total	62	100	10,899	100	38	100	4,848	100

HMDA Loans:

The distribution of the bank's HMDA-reportable loans reflects a reasonable LMI penetration ratio. This assessment is based only on the bank's 2002 HMDA-reportable lending since the bank made only four HMDA-reportable loans within its assessment area in 2001 and this number is considered insignificant for a meaningful analysis. As illustrated in the chart below, the bank's LMI penetration ratio was 20% (two loans) by number and 9.8% by the corresponding dollar amount. Aggregate data for 2002 was not available.

Distribution of HMDA-Reportable Loans by Geography Income Level 2002								
Geography	CHB				Aggregate			
	#	%	\$(000's)	%	#	%	\$(000's)	%
Low	0		0					
Moderate	2	20.0	232	9.8	N/A		N/A	
Total LMI	2	20.0	232	9.8				
Middle	2	20.0	381	16.0	N/A		N/A	
Upper	6	60.0	1,760	74.2	N/A		N/A	
N/A	0	0	-	0				
Total	10	100	2,373	100.00				

- **Borrower's Profile:** "Outstanding"

The bank's distribution based on borrower characteristics reflects excellent penetration among individuals of different income levels and businesses of different sizes.

Small Business Loans:

Of the 38 small business loans originated in 2001, 22 or almost 58% were made to businesses with gross annual revenues of \$1 million or less. The percentage remained the same in 2002. Additionally, the majority of small business loans originated in both years were for amounts of \$100 thousand or less. The bank's performance is not compared to aggregate data since small banks are not required to report small business loan information, and consequently are not included in the aggregate data.

Distribution of Small Business Loans by Loan Size and Revenue								
Loan Value	2002				2001			
	#	%	\$ (000's)	%	#	%	\$ (000's)	%
<\$100M	32	51.6	2,362	21.6	24	63.2	1,469	30.3
>\$100M - <\$250M	18	29.0	3,352	30.8	9	23.7	1,782	36.7
>\$250M - <\$1MM	12	19.4	5,185	47.6	5	13.1	1,597	33.0
Total	62	100	10,899	100	38	100	4,848	100
Revenue Size								
<\$1MM	36	58.1	5,914	54.3	22	57.9	2,155	44.5
>\$1 MM	16	25.8	2,970	27.3	10	26.3	1,916	39.5
Unknown	10	16.1	2,015	18.4	6	15.8	777	16.0
Total	62	100	10,899	100	38	100	4,848	100

HMDA Loans:

The distribution of the bank's HMDA reportable lending based on borrowers characteristics reflects a reasonable penetration among individuals of different income levels. As stated earlier in this report, this assessment is based solely on CHB's 2002 lending. The bank had a 30% LMI penetration ratio by originating three loans (out of 10) to LMI borrowers in 2002. Aggregate data for 2002 was not yet available.

The following chart shows the distribution of the bank's HMDA-reportable lending in 2002, based on borrower's characteristics.

Distribution of HMDA Reportable Loans by Borrower's Income Level								
2002								
Borrower Income	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Low	1	10.0	156	6.6	N/A		N/A	
Moderate	2	20.0	386	16.2	<u>N/A</u>		<u>N/A</u>	
Total LMI	3	30.0	542	22.8				
Middle	5	50.0	1,361	57.4	N/A		N/A	
Upper	2	20.0	470	19.8	N/A		N/A	
N/A	0	0.0	-	0.0				
Total	10	100.0	2,373	100.0				

- **Action taken in Response to Written Complaints With Respect to CRA**

Since the prior CRA Evaluation as of July 10, 2000, neither the bank nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

- **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.

The examiner noted no 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.

The most recent regulatory compliance report, concurrent with this assessment, indicates a satisfactory performance in terms of adherence to antidiscrimination or 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.

The bank ascertains the credit needs of its local communities and documents all discussions and meetings regarding local credit needs. The bank meets members of community groups, as well as, small business owners to explain the bank's loan programs geared toward small business and LMI individuals. During the evaluation period, the bank visited the following entities:

- New York Society of Korean Businessmen, Inc.
- The Korean-American Senior Mutual Association, Inc.
- Korean-American Senior Citizens' Society of Greater New York, Inc.
- The Korean Community Services of Metropolitan New York, Inc.
- Korean Educational Institute
- YMCA New York City
- Community School of Korean Language

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.

The bank's marketing and advertising is aimed at providing information to the delineated communities about the services the bank offers. The bank advertises its products and services in community-based newspapers and other media. The marketing program is particularly targeted to reach LMI neighborhoods, small businesses and minority groups in the communities.

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 and approves the bank's CRA Policy, CRA Statement and CRA Plan annually. The board also reviews the bank's CRA Self-Assessment prepared by the CRA officer and the CRA Performance Evaluation Report.

- **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.

None noted.

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 non-metropolitan 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.