



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

1 State Street Plaza
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2002

Institution: Great Eastern Bank
235 5th 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.

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	
Glossary	5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Great Eastern Bank (“GEB”) 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 (“LMI”) 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

Great Eastern Bank is rated "2," indicating a satisfactory record of helping to meet community credit needs. The assigned rating is based on the following factors:

- **Loan-to-Deposit ("LTD") Ratio and Other Lending Related Activities:** GEB's average LTD ratio for the 12 quarters ending December 31, 2002 was 61.6%. While well below the peer group average of 77.1%, the bank's LTD ratio was reasonable, given its size, financial condition and the credit needs of the assessment area.

Enhancing the availability of credit in its assessment area, the bank made a \$300 thousand community development loan, with \$200 thousand representing new money, and had \$78.3 thousand in qualified investments during the evaluation period.

- **Assessment Area Lending:** The bank made 65.5% of the number and 58.0% of the dollar volume of its small business loans in the assessment area in 2001. The assessment area concentration, based on the number of loans, declined slightly in 2002 to 64.4%, while the dollar concentration ratio increased slightly to 60.3%. The absolute number and dollar volume of assessment area-based small business loans decreased between the two years.

In 2001, the bank originated 76.4% by number and 74.6% by dollar volume of consumer loans in the assessment area, decreasing in 2002, to 55.6% and 50.6%, respectively. The absolute number and dollar volume of assessment area-based consumer lending declined between the two years.

- **Geographic Distribution of Lending:** The bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment area. In 2001, GEB made 25.4% of the number and 27.6% of the dollar volume of small business loans in LMI census tracts, increasing in 2002, to 32% and 39.7%, respectively. While considered reasonable, LMI penetration trailed the 34.4% by number and 48.7% by dollar volume that the bank achieved in 1999.

During 2001, the bank extended 11.9% of the number and 12.6% of the dollar volume of its consumer loans in LMI geographies in the assessment area, increasing in 2002 to 15% and 15.9%, respectively.

- **Borrower Distribution of Lending:** The bank's lending reflects reasonable penetration among businesses and individuals of different income levels. A loan size analysis indicated that in 2001 GEB made 60% by number and 30.8% by dollar volume of small business loans in amounts of less than \$100 thousand in the assessment area. The ratios were relatively unchanged in 2002, at 59.6% and 29.9% respectively.
- Neither GEB nor the New York State Banking Department has received any complaints with respect to the bank's CRA 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 Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution's Profile:

GEB was founded in 1986 to serve the Chinese American community. As of the evaluation date, GEB operated three full-service branches, including the head office, in two Counties. The bank's head office is located at 41-48 Main Street, Flushing, Queens, New York and the branches are located at 16-18 East Broadway ("Chinatown branch") and 235 5th Avenue ("Midtown branch"), both in New York County. The head office and Chinatown branch are located in moderate-income census tracts while the Midtown branch is located in an upper-income area. The head office and Chinatown office have automated teller machines ("ATMs") that are available 24 hours a day, seven days a week. The two offices are also open on Saturdays and Sundays.

As of December 31, 2002, GEB's assets totaled \$277.2 million, consisting primarily of net loans and leases of \$158.9 million (57.3%) and securities of \$64.2 million (23.2%). As of the same date, deposits totaled \$245.8 million, resulting in a LTD ratio of 64.6%. Total assets increased by 26.7%, or \$58.4 million, from \$218.8 million on December 31, 1999.

The bank offers a wide variety of lending products including:

- 1-4 family Residential Mortgage Loans
- Commercial and Industrial Loans
- Consumer loans
- Home Equity Loans
- Home improvement loans
- Construction loans
- Small Business Administration ("SBA") Loans

The following table shows the bank's gross loans as of December 31, 2002 and 2001, based on the Consolidated Report of Condition (Schedule RC-C):

TOTAL GROSS LOANS OUTSTANDING				
LOAN TYPE	12/31/2002		12/31/2001	
	\$000	%	\$000	%
1-4 Family Residential Loans	7,032	4.3	6,777	4.7
Multifamily Residential Loans	522	0.3	427	0.3
Commercial Mortgage Loans	110,176	68.1	91,607	63.8
Construction Loans	6,345	3.9	5,704	4.0
Commercial and Industrial Loans	35,887	22.2	36,997	25.7
Consumer Loans	1,536	0.9	1,823	1.3
Other Loans	378	0.2	345	0.2
Total Gross Loans	161,876	100.0	143,680	100.0

The above table shows that GEB is primarily a commercial mortgage and/or commercial and industrial lender. The bank primarily serves the credit needs of importers, exporters, manufacturers, owners of commercial properties, and restaurateurs of Asian related concerns.

GEB is an approved Small Business Administration (“SBA”) lender. The bank extended one SBA loan for \$750 thousand in 2001 and one SBA Loan for \$700 thousand in 2002.

GEB was rated “2,” at its January 1, 2000 CRA evaluation by the New York State Banking Department, indicating a satisfactory record of helping to meet community credit needs.

Examiners noted no legal or financial impediments that would adversely impact the institution’s ability to meet the credit needs of its assessment area.

Assessment Area:

GEB’s assessment area consists of the counties of Queens and Kings (Brooklyn) in their entirety, as well as the area south of 57th Street from river to river in New York County (Manhattan).

The area consists of 1,591 census tracts, of which 135 or 8.5% are low-income, 311 or 19.6% are moderate-income, 651 or 40.9% are middle-income, 452 or 28.4% are upper- income and 42 or 2.6% are zero-income.

According to the 1990 U.S Census, the total population of the assessment area was 4.8 million, of which 648 thousand (13.5%)¹ were above the age of 65 and 959.6 thousand (20%) were under the age of 16.

The area had 1.2 million families, of which 297 thousand (25.6%) were low-income, 194.4 thousand (16.8%) were moderate-income, 229 thousand (19.7%) were middle-income and 439.9 thousand (37.9%) were upper-income families. Of the 491.4 thousand LMI families, 242.1 thousand (49.3%) lived in LMI tracts, accounting for 64.6% of all the families (374.1 thousand) that lived in LMI tracts. There were 1.8 million households in the assessment area, of which 293.7 thousand (16.1%) had incomes below the poverty level.

There were 1.9 million housing units in the assessment area, of which 842 thousand (43.5%) were 1 to 4 family units and 1.1 million (54.9%) were multifamily units. Almost 573.9 thousand (29.6%) of the housing units were owner-occupied and 77.8 thousand (13.6%) of these were in LMI tracts. About 1.3 million (64.8%) were renter-occupied units and 466.3 thousand (37.1%) of these were in LMI tracts. Almost 113.3 thousand (5.9%) of all the housing units were vacant and/or boarded up. In 1990, the median housing value was \$190.2 thousand and the median age of the housing was 42 years.

¹ Please note that while percentages are based on exact numbers, absolute numbers pertaining to population and housing have been rounded to the nearest decimal point for purposes of inclusion in this report

In 1990, the weighted average of median family income of tracts for the assessment area was \$37.3 thousand and the weighted average of MSA/non-MSA's census median family income was \$37.5 thousand. The weighted average of MSA/non-MSA's updated median family income as provided by HUD for 2002 was \$62.8 thousand.

According to a Dun and Bradstreet survey, in 2002 there were 358.4 thousand businesses in GEB's assessment area, of which 227.5 thousand (63.5%) had revenues of \$1 million or less. About 32.3 thousand (9%) had revenues of more than \$1 million and 98.6 thousand (27.5%) were businesses on which no revenues were reported. Almost 232 thousand (68.8%) businesses in the assessment area had fewer than 50 employees and 320.1 thousand (89.3%) operated from a single location.

About 118.8 thousand (33.2%) of all firms were service providers, 59.6 thousand (16.6%) were in the retail trade, 32.3 thousand (9%) in finance, insurance and real estate and 23.6 thousand (6.6%) in wholesale trade. A further 78.7 thousand (22%) were in non-classified establishments.

According to the New York State Department of Labor, King County's average unemployment rates were 6.7% in 2001 and 8.6% in 2002. The county's average unemployment rates were both above the MSA's average unemployment rates of 5.6% in 2001 and 7.3% in 2002 and the state's average rates of 4.9% in 2001 and 6.1% in 2002.

According to the New York State Department of Labor, New York County's average unemployment rates were 6.4% in 2001 and 8.2% in 2002. The county's average unemployment rates were both above the MSA's average unemployment rates of 5.6% in 2001 and 7.3% in 2002 and the state's average rates of 4.9% in 2001 and 6.1% in 2002.

According to the New York State Department of Labor, Queens County's average unemployment rates were 4.9% in 2001 and 6.5% in 2002. The county's average unemployment rates were below the MSA's average unemployment rates of 5.6% in 2001 and 7.3% in 2002. The county's unemployment rate in 2001 tied the state's average rate of 4.9% but was above the state's average unemployment rates of 6.1% in 2002.

Portions of Kings County have been designated as Empire Zones (EZs) by the State of New York, based on community economic distress. The Brooklyn Navy Yard, Sunset Park and Red Hook neighborhoods are designated EZs. Firms located in these areas may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

In an effort to boost reinvestment and help rebuild Lower Manhattan following the devastating terrorist attacks, federal legislation created the Liberty Zone. The zone covers most of the area south of Canal Street, East Broadway and Grand Streets and the law gives specific federal tax benefits to businesses located in the zone.

Portions of Queens County have been designated as EZs by the State of New York, based on community economic distress. The Far Rockaway and South Jamaica neighborhoods are designated EZs. Firms located in these areas may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

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

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

GEB's record was assessed under the performance standards and assessment factors for small banking institutions, which include: (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 Borrower Characteristics, and (5) Action Taken in Response to Written Complaints Regarding CRA.

This evaluation is based on the bank's performance for calendar years 2001 and 2002. GEB's small business and consumer loans were considered in evaluating factors (2), (3) and (4), with greater emphasis placed on the bank's small business lending. The bank is not a small business reporter and thus is not a part of the small business aggregate.

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 U.S. Department of Housing and Urban Development ("HUD").

- **Loan-to-Deposit Analysis and Other Lending-Related Activities: "Satisfactory"**

GEB's LTD ratio is reasonable given the bank's size, financial condition and the credit needs of the assessment area.

GEB's average LTD ratio for the 12 quarters ending on December 31, 2002 was 61.6%, well below peer group's average of 77.1%. These ratios were calculated from information shown in the bank's Uniform Bank Performance Report prepared by the Federal Deposit Insurance Corporation ("FDIC").

Other Lending-Related Activities: Enhancing the availability of credit in its assessment area during the evaluation period, the bank made a \$300 thousand community development loan to one entity, with \$200 thousand representing new money. The following is a brief description of the community development loan.

- *Greater Jamaica Development Corp. ("GJDC")* – In 1997, the bank extended a \$100 thousand line of credit to GJDC that was subsequently increased to \$300 thousand on January 11, 2001. GJDC promotes economic development in the Jamaica area of Queens through the administration of (i) small business technical assistance, (ii) a New York State-designated Empire Zone, and (iii) a revolving loan fund that finances women and minority-owned, small, medium and start-up businesses which is administered by the affiliate Greater Jamaica Local Development Corporation.

GEB had qualified investments totaling \$78.3 thousand within the assessment area during the evaluation period. The following is a brief description of the bank's qualified investments:

- *Lower East Side People's Federal Credit Union ("LESPFCU")* – On December 21, 1999, the bank opened a non-member certificate of deposit with LESPFCU for \$50

thousand that will mature in 2003. LESPCU is a community development credit union serving the lower east side of Manhattan. The amount invested was \$50 thousand as of the evaluation date.

- *Non-recoverable grants* - The bank made eight non-recoverable grants totaling \$28.3 thousand to five community development organizations within the assessment area during the evaluation period.

- **Proportion of Lending Within Assessment Area: “Satisfactory”**

A majority of GEB’s small business and consumer loans were originated in the assessment area.

Small Business Loans

The table below shows that in 2001 the bank made 84 small business loans totaling \$10 million, of which 55 (65.5%) loans totaling \$5.8 million (58.0%) were extended in the assessment area. In 2002, the bank originated a total of 73 loans totaling \$8.8 million, of which 47 (64.4%) loans totaling \$5.3 million (60.3%) were extended inside its assessment area. While the assessment area concentration of lending was relatively unchanged over the two-year period, the absolute number and dollar volume of assessment area-based loans declined by 14.6% and 8.6%, respectively, from the prior year levels.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollar Volume (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business										
2001	55	65.5%	29	34.5%	84	5,818	58.0%	4,205	42.0%	10,023
2002	47	64.4%	26	35.6%	73	5,281	60.3%	3,476	39.7%	8,757
Subtotal	102	65.0%	55	35.0%	157	11,099	59.1%	7,681	40.9%	18,780
Consumer										
2001	42	76.4%	13	23.6%	55	876	74.6%	299	25.4%	1,175
2002	20	55.6%	16	44.4%	36	439	50.6%	428	49.4%	867
Subtotal	62	68.1%	29	31.9%	91	1,315	64.4%	727	35.6%	2,042
Total	164	66.1%	84	33.9%	248	12,414	59.6%	8,408	40.4%	20,822

Consumer Loans

The above table shows that in 2001, the bank originated 55 consumer loans totaling \$1.2 million, of which 42 (76.4%) loans totaling \$876 thousand (74.6%) were extended in the assessment area. In 2002, the bank originated 36 consumer loans totaling \$867 thousand, of which 20 (55.6%) loans totaling \$439 thousand (50.6%) were extended in the assessment area. In absolute numbers, the number and dollar volume of loans originated in the assessment area declined by 52.4% and 49.9%, respectively, between the two years.

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

The bank’s geographic distribution of small business and consumer loans reflects reasonable dispersion throughout the assessment area.

Small Business Loans

In 2001, GEB made 14 (25.4%) small business loans totaling \$1.6 million (27.6%) in LMI census tracts, increasing in 2002, to 15 (32%) small business loans totaling \$2.1 million (39.7%). While considered reasonable, these trail the 34.4% by number and 48.7% by dollar volume LMI penetration rates that the bank achieved in 1999.

The following table shows a distribution of GEB’s small business loans by geography i ncome level during the evaluation period:

Distribution of Small Business Loans By Geography Income Level								
Geography	2001				2002			
	#	#%	\$000's	\$%	#	#%	\$000's	\$%
Low	2	3.6	388	6.7	2	4.3	350	6.6
Moderate	12	21.8	1,218	20.9	13	27.7	1,750	33.1
Middle	20	36.4	1,893	32.5	13	27.7	1,213	23.0
Upper	20	36.4	2,169	37.3	17	36.2	1,668	31.6
N/A	1	1.8	150	2.6	2	4.3	300	5.7
Total	55	100.0	5,818	100.0	47	100.0	5,281	100.0

Consumer Loans

During 2001, the bank extended five (11.9%) consumer loans totaling \$110 thousand (12.6%) in LMI geographies in the assessment area while in 2002, GEB made three loans (15%) totaling \$70 thousand (15.9%) in LMI geographies in the assessment area. While reflecting a relative percentage increase between the two years, the absolute number and dollar volume of LMI loans declined. The following table shows a distribution of the bank’s consumer loans by geography income level during the evaluation period:

Distribution of Consumer Loans By Geography Income Level								
Geography	2001				2002			
	#	#%	\$000's	\$%	#	#%	0	\$%
Low	0	0.0	-	0.0	0	0.0	-	0.0
Moderate	5	11.9	110	12.6	3	15.0	70	15.9
Middle	23	54.8	449	51.3	11	55.0	206	46.9
Upper	14	33.3	317	36.2	6	30.0	163	37.1
N/A	0	0.0	-	0.0	0	0.0	-	0.0
Total	42	100.0	876	100.0	20	100.0	439	100.0

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

The bank’s lending shows reasonable penetration among businesses of different sizes and individuals of different income levels.

Small Business Loans

Since revenue information on small business borrowers was not available, a loan size analysis was performed. The following table shows that in 2001, GEB made 33 (60%) loans for \$1.8 million (30.8%) in amounts of less than \$100 thousand in the assessment area. Lending penetration in this loan size category was relatively unchanged for 2002, with 28 (59.6%) loans for \$1.6 million (29.9%) originated in amounts of less than \$100 thousand.

Distribution of Small Business Loans By Loan Size								
Loan Size (\$000's)	2001				2002			
	#	#%	\$000's	\$%	#	#%	\$000's	\$%
<=\$100	33	60.0	1,790	30.8	28	59.6	1,578	29.9
> \$100 <=\$250	20	36.4	3,378	58.1	18	38.3	3,203	60.7
> \$250<=\$1,000	2	3.6	650	11.2	1	2.1	500	9.5
Total	55	100.0	5,818	100.0	47	100.0	5,281	100.0

Consumer Loans

Of the 42 consumer loans for \$876 thousand that GEB originated in the assessment area in 2001, the bank made 28 (66.7%) for \$584 thousand (66.7%) to LMI borrowers. In 2002, the bank originated 20 consumer loans for \$439 thousand in the assessment area, of which 10 loans (50%) for \$246 thousand (56%) were made to LMI borrowers, reflecting a decline.

The following chart shows a distribution of consumer loans by borrower income level within the assessment area:

Distribution of Consumer Loans By Borrower Income Level								
Borrower Income	2001				2002			
	#	#%	\$000's	\$%	#	#%	\$000's	\$%
Low	18	42.9	359	41.0	6	30.0	130	29.6
Moderate	10	23.8	225	25.7	4	20.0	116	26.4
Middle	2	4.8	45	5.1	3	15.0	80	18.2
Upper	4	9.5	100	11.4	6	30.0	111	25.3
N/A	8	19.0	147	16.8	1	5.0	2	0.5
Total	42	100.0	876	100.0	20	100.0	439	100.0

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

Since the prior CRA evaluation on January 1, 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.

Examiners 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 and fair lending examinations conducted concurrently with this evaluation indicate satisfactory adherence to anti-discrimination 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.

The bank ascertains the credit needs of its community through a call program that requires members of the board of directors ("board"), president, executive officers, loan officers and marketing officers to contact individuals, businesses and groups within the community. The following is a partial listing of the organizations with whom GEB met during the evaluation period: *Chinese-American Planning Council, Inc., Flushing Chamber of Commerce and Business Association, Flushing Chinese Business Association, GJDC, Lawyers Alliance for New York, NHS of New York City Job and Career Center.*

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 uses print and broadcast media to make members of the community aware of its credit services. The bank advertises in local daily and weekly newspapers, magazines, television and radio. GEB advertises in Chinese, English and Spanish especially to reach LMI

individuals and/or areas, and the publications include the *Daily News*, *Penny Saver*, *Queens Tribune* and *El Especial*.

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 regularly discusses CRA issues at its meetings in addition to participating in the bank's call program.

- **Other Factors**

Other factors that in the judgment 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.

GEB made various non-community development grants totaling \$35.1 thousand to non-profit organizations within the assessment area during the evaluation period.

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.

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.

LMI Penetration Rate

A number that depicts the percentage of a bank’s total loans 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 to LMI geographies or borrowers.

Small Business Loans

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