



**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: Interaudi Bank
19 East 54th Street
New York, NY 10022

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 Tests and Assessment Factors	4
Community Development Test	
Discrimination or Other Illegal Practices	
Other Factors	
Glossary	5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Intermediary Bank (“Intermediary”) 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 (“LMI”), 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

Overall Rating

Interaudi is rated "1," indicating an outstanding record of helping to meet community credit needs.

- For this evaluation period, Interaudi exhibited excellent responsiveness to the credit and community development needs of its assessment area. As of December 31, 2002, the bank's community development loans and qualified investments increased to \$9.5 million, from \$2.8 million reported at the prior evaluation. New commitments totaled \$7.5 million, or 78.9% of the total.
- The bank made an outstanding level of community development loans, with five new loan commitments accounting for \$6.4 million of the total \$8.4 million. These commitments supported economic development and affordable housing initiatives, and were responsive to community credit needs.
- During this evaluation, the bank made 24 qualified investments totaling \$1.1 million, including 23 grants totaling \$226.4 thousand, demonstrating a high level of responsiveness to community development needs.
- The bank provided an adequate level of community development services by participating with community development organizations that promote affordable housing and economic development.

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:

Interaudi Bank, formerly Bank Audi (USA), is a New York State chartered commercial bank established in 1983 as a publicly owned FDIC insured bank. The principal shareholders of the bank are the Audi family and the Audi Bank Group, with about 50% of the outstanding common stock. The bank's only New York office is located in midtown Manhattan, in New York City. As a wholesale bank, the bank provides personal, commercial and asset management banking services to U.S. and foreign clients. The bank's primary customer base is comprised of Arab-Lebanese-American businesses in the New York metropolitan area and throughout the United States. In May 2003, the bank changed its name to Interaudi Bank.

The bank is not in the business of originating or purchasing residential mortgage, housing rehabilitation, home improvement, small business or small farm loans, except as an accommodation to its existing business clients. Accordingly, in August 1997, the FDIC granted the bank designation as a wholesale institution for purposes of its evaluation under the CRA.

As of December 31, 2002, the bank reported total assets of almost \$755.4 million, with net loans comprising 36.4% of total assets. Deposits totaled \$616.2 million, including \$583.9 million (94.8%) in domestic deposits.

Examiners noted no financial or legal impediments that would adversely affect the bank's ability to meet the credit needs of its assessment area.

Assessment Area:

The assessment area includes the five boroughs of New York City, within Primary Metropolitan Statistical Area ("PMSA") 5600.

Excluding zero-income tracts, there are 2,150 census tracts in the assessment area, of which 314 (15%) are low-income, 419 (19%) are moderate-income, 779 (36%) are middle-income and 638 (30%) are upper-income.

According to the 1990 U.S. Census, the total population of the assessment area was 7.3 million, of which 952.7 thousand (13%) were over the age of 65 and 1.5 million (20%) were under the age of 16.

There were 1.8 million families in the assessment area, of which 486.9 thousand (27.7%) were low-income, 285.9 thousand (16.3%) were moderate-income, 328.7 thousand (18.7%) were middle-income and 654.2 thousand (37.3%) were upper-income. Of the 772.8 thousand LMI families, 448.5 thousand (58%) lived in LMI census tracts and these families accounted for 67.3% of all the families (666.9 thousand) that lived in LMI tracts.

There were 2.8 million households in the area, of which 975.8 thousand (35%) were LMI households. Approximately 501 thousand (17%) households had incomes below the poverty level and 369.5 thousand (13%) received public assistance.

There are almost three million housing units in the assessment area, of which one million (35%) are 1 to 4 family units and 1.9 million (62%) are multi-family units. There are 808.9 thousand (27%) owner-occupied units, 2 million (67%) rental occupied units and 181.1 thousand (6%) vacant or boarded up units. In 1990, the median home value in the assessment area was \$186.4 thousand and the median age of the units was 41 years.

The LMI tracts in the assessment area had about one million housing units, of which 102.7 thousand (10%) were owner-occupied, 872.5 thousand (84.7%) were renter-occupied and 55 thousand (5.3%) were vacant.

Based on estimates by the U.S. Department of Housing and Urban Development (HUD), the median family income for the assessment area increased to \$62.8 thousand in 2002, from \$37.5 thousand reported for the 1990 census.

According to the New York State Department of Labor, the average unemployment rate for New York City is 7.9% in 2002, compared with 6.1% for New York State for the same period.

The assessment area appears reasonable. There is no evidence that the bank arbitrarily excluded LMI areas.

PERFORMANCE TEST AND ASSESSMENT FACTORS

The Banking Department evaluates the CRA performance of wholesale banks pursuant to the “community development test”, as provided in section 76.11 of the New York Banking Law. Performance criteria may include (1) the number and amount of community development loans, qualified investments or community development services; (2) the use of innovative or complex qualified investments, community development loans or community development services and the extent to which the investments are not routinely provided by private investors; and (3) the banking institution’s responsiveness to credit and community development needs.

This evaluation incorporates a review of Intermediary’s community development activities for the period from April 1, 2000 through December 31, 2002.

I. Community Development Test

Intermediary exhibits excellent responsiveness to credit and community development needs in its assessment area. As of December 31, 2002, the bank’s assessment area community development lending and qualified investments increased significantly to \$9.5 million (including \$2 million outstanding from the previous evaluation) from \$2.8 million reported at the prior evaluation. New commitments for the evaluation period total \$7.5 million (78.9%).

The majority (\$6.4 million) of the community development loans and investments went to support organizations dedicated to economic development, and \$3 million went to help support affordable housing initiatives.

Intermediary participates in community development initiatives primarily by working with intermediaries that serve its assessment area. The table below shows the bank’s community development loans and qualified investments within the assessment area.

Total Community Development Loans and Qualified Investments April 2000 through December 2002					
Type	No. of Comm’ts	Comm’t Amt. (in millions)	Percentage	Outstanding (in millions)	Percentage
Affordable Housing	9	3.0	31.6	2.0	25.3
Community Service	16	.1	1.0	.1	1.3
Economic Development	5	6.4	67.4	5.8	73.4
Total	30	9.5	100	7.9	100

The bank’s high level of grants, at \$226.4 thousand for the evaluation period, also

demonstrates an excellent level of responsiveness to community development needs.

The following chart shows new commitments and outstandings, segregated by community development categories:

New Commitments and Outstandings - April 2000 through December 2002					
Type	No. of Comm'ts	Comm't Amt. (in millions)	Percentage	Outstanding (in millions)	Percentage
Affordable Housing	8	1.0	13.3	1.0	14.5
Community Service	16	.1	1.3	.1	1.4
Economic Develop.	5	6.4	85.4	5.8	84.1
Total	29	7.5	100	6.9	100

The following is a more detailed description of the bank's community development activities:

- **Community Development Lending**

Interaudi made an outstanding level of community development loans, with total commitments of \$8.4 million. During the evaluation period, the bank made five new loan commitments totaling \$6.4 million, with \$5.8 million outstanding as of December 31, 2002. These new commitments went to support economic development and are responsive to community credit needs.

The following is a brief description of the bank's new community development loans:

Realty Company - In September 2000, the bank approved a \$345 thousand loan to this limited liability company to finance the purchase of a property, which was converted from a synagogue to office/retail use in Washington Heights (Manhattan), a low-income neighborhood.

In December 2002, the bank approved a \$570 thousand increase to the above facility for the refinance of a mixed-use commercial/residential building, also located in Washington Heights.

Local Business Owner - In July 2001, the bank extended a \$400 thousand facility to purchase a warehouse in Brownsville, a low-income-neighborhood. The borrower's business, J & R Worldwide, a wholesaler of healthcare products will occupy the warehouse. The above business provides jobs for LMI residents.

In September 2002, the bank approved a \$100 thousand increase to the above facility to finance the purchase of a property adjacent to the warehouse for business expansion.

Private Developer - In April 2002, the bank extended a \$5 million line of credit to borrowers for the development of commercial properties in Brooklyn. The proceeds were used to improve a supermarket and develop retail buildings in the Crown Heights and Brownsville sections of Brooklyn, low-income neighborhoods. These retail stores will employ local people and help to revitalize the neighborhoods.

- **Qualified Investments**

During this evaluation, Inter Audi made 24 qualified investments totaling \$1.1 million, including 23 grants totaling \$226.4 thousand. All of the qualified investments represent new money. Of the total, \$990 thousand support organizations engaged in affordable housing and \$136 thousand went to organizations providing community services.

The following is a brief description of the bank's qualified investments:

New York City General Obligation Bonds - In December 2002, the bank invested \$900 thousand in these bonds. The funds support social services, education, public safety and housing in the city.

Grants – The bank made contributions to various non-profit organizations that focused on providing community services and affordable housing. These included the New York Police Department and Fire Department Widows and Children's Fund, Engine 23 Fund and Rescue 1 Fund, which were made in response to the World Trade Center attack. Donations were also made to NHS of New York City, Covenant House, Providence House and the Lawyers Alliance, among others.

- **Community Development Services**

Inter Audi provided an adequate level of community development services to community development organizations that promote affordable housing and economic development in its community.

The following is a brief description of the bank's community development services:

The bank's president and senior bank staff meet regularly with the director and staff of Neighborhood Housing Services of New York City, Inc. (NHS) to discuss program development and to counsel on proposed fundraising activities for NHS. In 2001, the bank co-hosted the NHS annual holiday party, and in December 2002, the bank was a major sponsor of the organization's awards dinner. NHS is a nonprofit citywide organization that creates, preserves and promotes affordable housing.

In January 2002, three senior staff members of the bank participated in a bank/teacher workshop, "Banking on our Future", organized by Deutsche Bank and hosted by HSBC. This program brings trained volunteer bankers and financial service providers into elementary, middle and high school classrooms to teach the basics of checking, savings, credit and

investments. In March 2002, the three staff members taught these concepts at schools in Brooklyn and Queens.

II. 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 intended to discourage applications for types of credit offered by the institution.

Evidence of prohibited discriminatory or other illegal credit practices.

During this evaluation period, no evidence of prohibited discriminatory or other illegal credit practices were noted. The most recent regulatory compliance examination indicated satisfactory adherence to antidiscrimination or other applicable laws and regulations.

III. Other 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 by keeping contact with and supporting a wide range of non-profit groups and organizations serving low- and moderate-income people and geographies, including Neighborhood Housing Services of New York City, Lawyers Alliance, Community Capital Bank and Covenant House.

The CRA Officer is responsible for the establishment of ongoing relationships with organizations and individuals, including neighborhood and civic groups, government officials, community service and community development organizations, and elected representatives. The CRA Officer evaluates the results of these contacts and makes recommendations to the board and senior management for further action.

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.

As a wholesale bank, Inter Audi Bank does not market the credit services it offers to the general public. The bank's directors and officers have established relationships with individuals, organizations and agencies concerned with community development and revitalization to determine community credit needs.

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 bank maintains a CRA policy and strategic plan, CRA statement and community delineation, which the board reviews and approves annually. As of January 2003, the bank added the CRA program and activities to its internal audit schedule.

In addition, the bank has a designated CRA Officer responsible for the development, administration and implementation of the bank's CRA program. The program includes, guidelines, plans, and procedures for technical compliance, ascertainment of community credit needs, sound lending programs, project development and support, community relations, training, documentation, contributions, grants, and self-assessment.

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

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.

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 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 the U.S. Department of Housing and Urban Development (“HUD”).

Wholesale Institution

The term “wholesale institution” means a banking institution that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale banking institution by the appropriate Federal regulatory authority is in effect. When evaluating a wholesale institution’s CRA performance, the Banking Department looks primarily at its record of helping to meet the credit needs of its assessment area through community development lending, qualified investments and community development services.