# 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**: Interbank of New York
420 Park Avenue South
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 off-site evaluation of the Community Reinvestment Act ("CRA") performance of Interbank of New York ("INY") 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

Interbank of New York is rated "2," indicating a satisfactory record of helping to meet community credit needs.

- The bank's average LTD ratio for the 11 calendar quarters since the prior examination dated March 31, 2000 was 64.8%. While below the peer group's average, it is considered adequate considering INY's size, current financial condition and pending merger.

- The bank originated a majority of HMDA-reportable loans in its assessment area. In 2001 and 2002, INY originated 76.9% and 77.8% of its HMDA reportable loans, respectively, inside the assessment area.

- INY's geographic distribution of lending reflects reasonable dispersion among census tracts of different income levels. In 2001, INY originated 15% of its HMDA-reportable loans in LMI census tracts, slightly outperforming the aggregate's 13.9% penetration rate. In 2002, the bank increased its LMI originations to 28.6%.

- The bank's lending distribution based on borrower characteristics reflects reasonable penetration among individuals of different income levels. In 2001 and 2002, INY totaled 48 HMDA-reportable loans of which 31 (64.6%) did not consider income in the credit decision.

- Since the prior CRA evaluation, neither the bank nor the New York State Banking Department received any written complaints regarding the bank's CRA performance.

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

## PERFORMANCE CONTEXT

**Institution's Profile:**

Chartered in 1990, Interbank of New York ("INY") is a commercial bank headquartered in lower mid-town Manhattan (New York County). The bank was considered an "ethnic bank" as recently as the prior examination with a sizeable Greek-American customer base. However, changing demographics in INY's lending area caused the bank to widen its focus to a more diverse community.

In addition to its main office, INY operates four full-service banking offices: two in Bay Ridge, Brooklyn (Kings County) and one each in Astoria and Whitestone, Queens. One INY office is located in a moderate-income census tract. Supplementing the banking offices is an ATM network of five locations, one at each office. Four ATM locations feature 24-hour access and four banking offices offer extended banking hours. All banking offices have employees conversant in several languages including Greek, Spanish, Chinese, Russian, Italian, Albanian, Polish and Arabic, although not all languages are spoken at all branches.

Interbank provides a wide range of credit and deposit products to its community. Available loan products include: commercial real estate, commercial lines of credit, merchant credit card services, micro-line loans, personal loans, 1-4 and multifamily real estate, home improvement, installment loans and overdraft protection of certain deposit accounts.

As of this assessment date, INY reported total assets of $260.7 million, gross loans of $143.2 million (56.7%) and deposits of $237.8 million (90.8%).

| Interbank County Market Share based on Deposits as of 6/30/2002 | | | | | |
|---|---|---|---|---|---|
| *County* | Number of Branches | Deposits ($000) | Market Share | Ranking | No. of Institutions |
| Queens | 2 | 109,827 | 0.34% | 32 | 46 |
| Kings | 1 | 60,943 | 0.22% | 25 | 38 |
| New York | 1 | 54,610 | 0.02% | 72 | 92 |
| Assessment Area | 4 | 225,380 | 0.07% | 52 | 110 |

Interbank of New York competes against numerous institutions in its marketplace, most of which have far greater resources and significantly larger branch systems. The chart above illustrates the bank's deposit market share in each county where INY has a branch presence as of June 30, 2002.*

* Data source: FDIC/OTS Summary of Deposits. Note that the "Total" row is not the sum of all columns as competing financial institutions operating in more than one county are only counted once. In addition, the branch on 5th Avenue in Kings County did not open until December 2002.

INY, operating with four offices, had total deposits of $225.4 million (out of $309.6 billion) reflecting a market share of 0.07%. The four largest banking institutions with offices in New York, Queens and Kings counties operate a combined 425 offices with a deposit market share of 71.8%. INY, combined with 105 other institutions, represents the remaining share of 28.2%.

The bank received a rating of "2" reflecting a Satisfactory record of helping to meet community credit needs at its prior Performance Evaluation by the New York State Banking Department.

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

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

| Interbank of New York Total Gross Loans Outstanding | | | | | | |
|---|---|---|---|---|---|---|
| ***LOAN TYPE*** | **12/31/2002** | | **12/31/2001** | | **12/31/2000** | |
| | $ (000s) | % | $ (000s) | % | $ (000s) | % |
| Commercial Real Estate Loans | 74,033 | 51.7% | 58,960 | 44.9% | 47,536 | 38.4% |
| Multi-Family Mtge. Loans | 31,894 | 22.3% | 34,233 | 26.1% | 33,676 | 27.2% |
| Commercial & Industrial Loans | 18,717 | 13.1% | 20,660 | 15.7% | 25,876 | 20.9% |
| 1-4 Family Residential Mtge. | 15,723 | 11.0% | 15,087 | 11.5% | 14,518 | 11.7% |
| Consumer Loans | 1,757 | 1.2% | 991 | 0.8% | 952 | 0.8% |
| Other Loans | 512 | 0.4% | 686 | 0.5% | 743 | 0.6% |
| Construction and Dev. Loans | 532 | 0.4% | 562 | 0.4% | 488 | 0.4% |
| Total Gross Loans | 143,168 | 100.0 | 131,179 | 100.0 | 123,789 | 100.0 |

As the chart illustrates, the principal business focus of INY is real estate lending, comprising more than 80% of gross loans since 2000. More specifically, Interbank is primarily a commercial real estate lender with 51.7% of its loan portfolio in that category as of this assessment date. It is also the fastest growing component of the bank’s lending activities. The bank's secondary and tertiary lending products are multi-family mortgage loans (22.3%) and commercial and industrial loans (13.1%), respectively.

Interbank of New York's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small business or small farms includes the Federal National Mortgage Association ("FNMA") and Small Business Administration ("SBA"). However, the bank did not originate any FNMA or SBA loans during the review period.

Management stated that the bank originated 49 small business loans over the review period, but did not submit any data for analysis. Consequently, these loans were not considered in the preparation of this report.

**Assessment Area:**

INY's assessment area includes portions of New York (Manhattan), Queens, and Kings (Brooklyn) counties, reflecting its branch locations. The total area consists of 851 census-tracts, of which 20 (2.4%) are zero-income, 29 (3.4%) are low-income, 164 (19.3%) moderate-income, 386 (45.4%) middle-income, and 252 (29.6%) upper-income tracts. In this review, 1990 census tract and demographic information are the basis for analysis†.

The New York County assessment area extends from 59th Street in midtown Manhattan, south to Canal Street with the Hudson River on the west and the East River to the east.

The Queens County portion of the assessment area extends from the northern most section of the county, south to the Long Island Expressway and is bounded by the East River on the west and Nassau County on the east. This area includes Astoria, Long Island City, Maspeth, East Elmhurst, Woodside, Jackson Heights, Elmhurst, Corona, College Point, Whitestone, Flushing and Bayside.

In Kings County, the assessment area covers the southern and central area of Brooklyn bounded by the East River to the west and Jamaica Bay to the east. This area includes Bay Ridge, Sunset Park, Red Hook, South Brooklyn, Park Slope, Borough Park, New Utrecht, Bensonhurst, Coney Island, Flatbush, Brighton Beach, Manhattan Beach, Gravesend, Sheepshead Bay, Flatlands and Mill Basin.

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

**Demographic, Housing and Business Details of Assessment Area:**

According to the 1990 census, the assessment area population totaled 2.7 million. Approximately 14%‡ of the resident population was above the age of 65 and 18% were 16 years of age or younger. Of 651.9 thousand families in the assessment area 266.0 thousand were LMI.

---

† The FFIEC plans to implement year 2000 census and demographic data with calendar year 2002 CRA performance evaluations.

‡ Note that while percentage figures are based on exact numbers, percentages have been rounded to the nearest decimal point.

There were 1.2 million housing units in the area, 36% of which were 1-4 family structures and 61% were multifamily units. Approximately 26% of all housing units were owner-occupied, 67% were rental-occupied units, and 5% were vacant housing units. Approximately 9% of the households receive public assistance and 14% live below the poverty level. The weighted average Median Housing value was $207,035.

New York, Queens, and Kings counties are part of Metropolitan Statistical Area ("MSA") 5600 and following are brief demographic and business assessments of each county.

New York County

According to the U.S. Census Bureau, New York County had a population of 1.5 million in 1990 and it increased by 49.7 thousand (3%) to 1.54 million in 2000. It is comprised of 298 census tracts including 11(4%) zero-income tracts, 63 (21%) low-income, 65 (22%) moderate-income, 33 (11%) middle-income, and 126 (42%) upper-income tracts.

In 1990, there were 305.4 thousand families in the county, of which 43%(130.2 thousand) were LMI families, including 17% (53.1 thousand) whose income was below the poverty level. Approximately 14% (43.8 thousand) were middle income and 43.0% (131.3 thousand) were upper income families. There were 716.8 thousand households in the county, of which 17% (120.1 thousand) had income below the poverty level.

Approximately 77% (99.6 thousand) of the LMI families lived in LMI census tracts and these families accounted for 68% of all the families (145.7 thousand) that lived in LMI census tracts.

There were 785.1 thousand housing units in New York County, 3% (22.6 thousand) of which were 1-4 family units and over 96% (751.4 thousand) were multifamily units. Almost 16% (128.0 thousand) of all housing units were owner occupied and 75% (588.4 thousand) were rental occupied. Approximately 9% (71.2 thousand) of all the units were vacant or boarded up. The median housing value was $212.4 thousand and the median age of the housing was 41 years.

The 1990 median family income for the county was $36.8 thousand and the median income for the MSA was $37.5 thousand. HUD's estimated median family income for the MSA was $56.2 thousand in 2000 and $59.1 thousand in 2001.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in 2000 in the county were: finance, insurance and real estate, 40.1%; services, 30.9%; and state and local government, 9.0%. In 1990, the

major sources of earning were: services, 33.8%; finance, insurance, and real estate, 25.7%; and state and local government, 13.6%.

According to a Dun and Bradstreet survey, in 2000, there were 138.8 thousand businesses in New York County of which, 108.7 thousand (78.3%) had revenues of$1.0 million or less. Approximately 23.4 thousand (16.9%) had revenues of more than $1.0 million and 6.7 thousand (4.9%) were businesses on which no revenues were reported. Approximately 89.2% (123.8 thousand) of all businesses in the county had fewer than 50 employees and 78.6% (109.0 thousand) operated from a single location.

Approximately 46.2% (64.1 thousand) of all firms were service providers, 16.4% (22.8 thousand) were in retail trade, 14.1% (19.5 thousand) in finance, insurance and real estate, 10.0% (13.9 thousand) in wholesale trade, 7.1% (9.9 thousand) in manufacturing and 3.5% (4.8 thousand) in transportation and communications.

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

Based on community economic distress, portions of New York County, East York and East Harlem, have been designated by the State of New York as Empire Zones ("EZs").§ Firms located in these areas may be eligible for assistance such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

A portion of New York County, Harlem, shares a designated Federal Empowerment Zone ("FEZ") with the South Bronx. This area receives financial and technical support from a multiple of Federal agencies, including HUD, USDA, HHS, Treasury, Labor and Justice as well as from the state and local governments. The program's purposes are to increase the employment opportunities of the residents through job training and economic development, to create new jobs and retain current jobs as well as programs for affordable housing, education and childcare. Various federal tax benefits and other assistance are available to businesses that open or employ residents in a FEZ.

Queens County

According to the U.S. Census Bureau, Queens County had a population of 1.9 million in 1990, and it increased by 277.8 thousand (14%) to 2.2 million in 2000. The county is comprised of 673 census tracts including 17 (3%) zero-income, 7 (1%) low-

§ Empire Zones were formerly known as "Economic Development Zones."

income, 80 (12%) moderate-income, 331 (49%) middle-income, and 238 (35%) upper-income tracts.

In 1990, there were 495.6 thousand families in the county, of which 34.6% (171.7 thousand) were LMI families, including 8% (41.1 thousand) whose income was below the poverty level. Middle-income families total 22% (107.5 thousand) and 44% (216.4 thousand) were upper-income families. There were 718.4 thousand households in the county, of which 11% (77.9 thousand) had income below the poverty level.

Approximately 24% (41.8 thousand) of the LMI families lived in LMI census tracts and these families accounted for 57.9% of all the families (72.3 thousand) that lived in LMI census tracts.

There were 752.7 thousand housing units in Queens County, 56% (426.3 thousand) of which were 1-4 family units and 41% (311.8 thousand) were multifamily units. Approximately 41% (306.1 thousand) of all housing units were owner-occupied and 55.0% (414.0 thousand) were renter-occupied. The vacant or boarded up housing unit percentage was 5% (34.0 thousand). The median housing value was $198.1 thousand and the median age of the housing was 41 years.

The 1990 median family income for the county was $40.4 thousand and the median income for the MSA was $37.5 thousand. HUD's estimated median family income for the MSA was $56.2 thousand in 2000 and $59.1 thousand in 2001.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in 2000 in the county were: services, 29.8%; transportation and public utilities, 18.2%; and construction; 12.3%. In 1990, the major sources of earnings were services, 27.4%; transportation and public utilities, 18.8%; and construction, 10.8%.

According to a Dun and Bradstreet survey, in 2000, there were 55.1 thousand businesses in Queens County, of which, 45.5 thousand (82.6%) had revenues of $1.0 million or less. Approximately 5.3 thousand (9.6%) had revenues of more than $1.0 million and 4.3 thousand (7.28%) were businesses on which no revenues were reported. Approximately 90.9% (50.1 thousand) of all businesses in the county had fewer than 50 employees and 87.7% (48.4 thousand) operated from a single location.

Approximately 39.1% (21.6 thousand) of all firms were service providers, 23.8% (13.1thousand) were in retail trade, 9.0% (4.9 thousand) were in finance, insurance and real estate, 8.4% (4.6.thousand) were in construction, 7.2% (4.0 thousand) were in wholesale trade and 6.9% (3.8 thousand) were in transportation and communications.

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

Far Rockaway and South Jamaica have been designated as EZs based on community economic distress. Firms located in these areas may be eligible for assistance including wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

Kings County

According to the U.S. Census Bureau, Kings County had a population of 2.3 million in 1990 and it increased by 164.7 thousand (7%) to 2.5 million in 2000. Kings has 789 census tracts, including 19 (2%) zero-income, 114 (15%) low-income, 207 (26%) moderate-income, 302 (38%) middle-income, and 147 (19%) upper-income tracts.

In 1990, there were 563.3 thousand families in the county, of which 50% (281.6 thousand) were LMI families, including 20% (109.8 thousand) whose income was below the poverty level. Approximately 19% (106.8 thousand) were middle-income and 31% (174.9 thousand) were upper-income families. There were 827.7 thousand households in the county, of which 22% (178.1 thousand) had income below the poverty level.

Approximately 62% (175.4 thousand) of all LMI families lived in LMI census tracts and accounted for 65% of the 266.1 thousand families living in LMI census tracts. There were 873.7 thousand housing units in Kings County, 46% (404.7 thousand) of which were 1-4 family units and 52% (455.7 thousand) were multifamily units. Only 25% (215.8 thousand) of the housing units were owner occupied and 70% (612.4 thousand) were renter-occupied. Approximately 6% (48.9 thousand) of all housing units were vacant or boarded up. The median housing value was $181.4 thousand and the median age of the houses was 44 years.

The 1990 median family income for the county was $30.0 thousand and the median income for the MSA was $37.5 thousand. HUD's estimated median family income for the MSA was $56.2 thousand in 2000 and $59.1 thousand in 2001.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in 2000 in the county were: services, 39.5%, finance, insurance and real estate, 12.0%; and transportation and public utilities, 8.1 %. In 1990, the major sources of earnings were: services 37.4%; retail trade, 9.4%; and nondurable goods manufacturing, 8.1%.

According to a Dun and Bradstreet survey, in 2000 there were 59.4 thousand businesses in Kings County, of which 49.9 thousand (84.0%) had revenues of $1.0 million or less. Approximately 5.1 thousand (8.6%) had revenues of more than $1.0 million and 4.4 thousand (7.4%) were businesses on which no revenues were reported. Approximately 91.5% (54.4 thousand) of all businesses in the county had fewer than 50 employees and 88.9% (52.9 thousand) operated from a single location.

Approximately 41.0% (24.4 thousand) of all firms were service providers, 25.9% (15.4 thousand) were in retail trade, 8.0% (4.7 thousand) were in wholesale trade, 7.7% (4.6 thousand) were in finance, insurance and real estate, 6.4% (3.8 thousand) were in construction and 5.6% (3.4 thousand) were in manufacturing.

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

Portions of Kings County have been designated as EZs by the State of New York, based on community economic distress. The Brooklyn Navy Yard, Sunset Park and Red Hook neighborhoods are so designated. Firms located in these areas may be eligible for assistance including 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 bank’s location and lending patterns. There is no evidence that LMI areas were arbitrarily excluded.

## PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

Interbank of New York's performance was evaluated under 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 Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA.

The assessment period covered calendar years 2001 and 2002. Examiners considered HMDA- reportable lending in evaluating factors (2), (3), and (4) above. The bank is an HMDA-reportable lender and an analysis was performed on data submitted by INY utilizing CRA-WIZ software. As this was an off-site examination, no sampling of loans was performed.

- **Loan-to-Deposit Analysis: Satisfactory**

INY's loan-to-deposit ("LTD") ratio is considered adequate after taking into consideration the bank's size, financial condition and assessment area credit needs.

The bank's average LTD ratio for the 11 quarters since the prior examination ending March 31, 2000 was 64.8%, below the peer group average of 77.2%.**. As shown in the three tables below, the bank's LTD ratios show a declining trend relative to the peer group average during the four quarters of 2002. The level is considered reasonable when viewed in the context of INY as a targeted merger candidate. It is also noted that at the prior CRA assessment, Interbank's LTD ratio exceeded its peer group.

| *LTD Ratio* | 12/31/02 | 09/30/02 | 06/30/02 | 03/31/02 |
|---|---|---|---|---|
| Interbank | 59.50% | 60.96% | 61.09% | 59.24% |
| Peers | 77.50% | 77.23% | 77.51% | 77.11% |
| *Difference* | -18.00% | -16.27% | -16.42% | -17.87% |

| *LTD Ratio* | 12/31/01 | 09/30/01 | 06/30/01 | 03/31/01 |
|---|---|---|---|---|
| Interbank | 68.93% | 68.21% | 65.77% | 66.27% |
| Peers | 77.39% | 77.47% | 77.27% | 76.34% |
| *Difference* | -8.46% | -9.26% | -11.50% | -10.07% |

| *LTD Ratio* | 12/31/00 | 09/30/00 | 06/30/00 | ***Average*** |
|---|---|---|---|---|
| Interbank | 66.21% | 66.07% | 70.29% | **64.78%** |
| Peers | 76.78% | 77.50% | 77.26% | **77.21%** |
| *Difference* | -10.57% | -11.43% | -6.97% | **-12.43%** |

** The peer group for Interbank of New York includes all insured commercial banks having assets between $100 million and $300 million, with three or more banking offices, and located in a metropolitan area. These ratios were calculated from information shown in the bank's Uniform Bank Performance Report prepared by the Federal Deposit Insurance Corporation ("FDIC").

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

The bank originated a substantial majority of HMDA-reportable loans within its assessment area. This assessment area lending performance demonstrates a satisfactory responsiveness to the credit needs of the community.

The following chart illustrates the bank's total HMDA lending within and without its assessment area. In 2002, the bank originated 77.8% of its HMDA-reportable loans within the assessment area, an increase from 76.9% recorded in 2001. Total HMDA lending in terms of dollars increased in 2002 but the assessment area percentage decreased by 19 % from 2001 levels.

| Interbank of New York Assessment Area Comparison | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2001 | | | | 2002 | | | |
| | Number | No. Pct. | $ (000s) | $ Pct. | Number | No. Pct. | $ (000s) | $ Pct. |
| **IN** | 20 | 76.9% | 7,586 | 79.9% | 28 | 77.8% | 6,148 | 60.9% |
| **OUT** | 6 | 23.1% | 1,905 | 20.1% | 8 | 22.2% | 3,955 | 39.1% |
| ***Total*** | 26 | 100.0% | 9,491 | 100.0% | 36 | 100.0% | 10,103 | 100.0% |

- **Geographic Distribution of Lending: Satisfactory**

INY's geographic distribution of lending reflects reasonable dispersion among census tracts of different income levels. Please note that the bank's business focus is not HMDA-reportable lending and its relatively low origination volume reflects this.††

In 2001, as the following chart illustrates, INY originated 15% of its HMDA-reportable loans in LMI census tracts, slightly outperforming the aggregate's 13.9% penetration rate. In 2002, the bank originated 28.6% HMDA-reportable loans in LMI census tracts reflecting over a 90.0% increase from the prior year. Aggregate data for 2002 was not available.

In 2001, the bank's HMDA originations outperformed the aggregate in middle-income census tracts by a wide margin: 75.0% compared to 42.1%. The 2002 middle-income penetration rate declined to 57.1% due, in part, to the increased LMI penetration rate.

Interbank of New York compared favorably in dollar volume percentages in HMDA originations in LMI and middle-income census tracts as the chart illustrates. The 2001 loan dollar totals in LMI and middle-income census tracts totaled 35.0% and 59.8%, respectively, compared to the aggregate's 14.3% and 35.5%, respectively. In 2002,

†† INY ranked 146 out of 354 HMDA-reportable lenders in 2001 with the top 10 lenders totaling 48.5% of all originations.

INY totaled 49.9% and 46.2% dollar volume in LMI and middle-income census tracts, respectively.

| HMDA-Reportable Loan Comparison in 2001 (*by Census Tract Income Level*) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Interbank of New York | | | | Aggregate | | | |
| | Number | No. Pct. | $ (000s) | $ Pct. | Number | No. Pct. | $ (000s) | $ Pct. |
| LMI | 3 | 15.0% | 2,658 | 35.0% | 5,197 | 13.8% | 1,380,369 | 14.3% |
| Middle | 15 | 75.0% | 4,533 | 59.8% | 15,879 | 42.1% | 3,439,024 | 35.5% |
| Upper | 2 | 10.0% | 395 | 5.2% | 16,551 | 43.9% | 4,840,358 | 50.0% |
| Inc. N/A | 0 | 0.0% | 0 | 0.0% | 75 | 0.2% | 17,785 | 0.2% |
| *Total* | 20 | 100.0% | 7,586 | 100.0% | 37,702 | 100.0% | 9,677,536 | 100.0% |

Neither the bank nor the New York State Banking Department has received any written complaints about CRA performance since the prior evaluation, which was conducted as of December 31, 2000.

- **Borrower Distribution of Lending: Satisfactory**

The bank's lending distribution based on borrower characteristics reflects reasonable penetration among individuals of different income levels. In 2001 and 2002, INY totaled 48 HMDA originations, of which 22 (45.8%) were multifamily loans where borrower income is not reported on the Loan Application Register ("LAR"). In addition, the bank originated nine (18.8%) "No Income Verification" loans where income is not a factor in the credit decision and is not reported on the LAR. As a result, a detailed analysis of Borrower Distribution of Lending is not informative. The following chart comparing INY with the aggregate in 2001 reflects the lack of an analysis, as 82.1% (12 originations) of the bank's HMDA loans are in the "Income Not Available" category. In 2002, 19 (67.9%) out of 36 originations are in this category

| HMDA-Reportable Loan Comparison in 2001 (*by Borrower Income Level*) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Interbank of New York | | | | Aggregate | | | |
| | Number | No. Pct. | $ (000s) | $ Pct. | Number | No. Pct. | $ (000s) | $ Pct. |
| LMI | 2 | 10.0% | 250 | 3.3% | 4,083 | 10.8% | 418,373 | 4.3% |
| Middle | 2 | 10.0% | 220 | 2.9% | 7,323 | 19.4% | 1,123,169 | 11.6% |
| Upper | 4 | 20.0% | 890 | 11.7% | 21,140 | 56.1% | 5,851,521 | 60.5% |
| Inc. N/A | 12 | 60.0% | 6,226 | 82.1% | 5,156 | 13.7% | 2,284,473 | 23.6% |
| *Total* | 20 | 100.0% | 7,586 | 100.0% | 37,702 | 100.0% | 9,677,536 | 100.0% |

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

Since the prior CRA evaluation, neither the bank nor the New York State Banking Department received any written complaints regarding the bank's CRA performance.

- **Qualified Investments**

Interbank of New York is a member of the Federal Home Loan Bank ("FHLB"), which funds the Affordable Housing Program ("AHP"). The AHP is funded through a 10% set aside of the FHLB's annual income. The FHLB is then able to provide each member financial institution with an estimate of its participation in the affordable housing fund. The amounts credited to the INY for 2000 and 2001 were $4.5 thousand and $4.2 thousand, respectively. Information for 2002 is not yet available.

In 2002, INY provided a $500 grant to the Fund for Public Schools, Inc ("FPS"). The FPS facilitates and collects private sector grants to finance certain educational programs. INY's grant supported the "Drug Fair for District 20". District 20 is located in Brooklyn and is home to many public schools located in LMI census tracts.

- **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 report concurrent with this assessment indicates satisfactory 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**.

Ascertainment of community credit needs is performed through contact with local government agencies, various community organizations and real estate and mortgage brokers. Bank officers are members of local organizations and receive insight and information from their direct contact with community members.

Bank personnel are members of various business, professional, community, and religious organizations. A partial list of organizations that INY representatives serve on include:

- Broadway Merchants Association
- Cyprus Federation of America
- Federation of Hellenic Societies
- Foundation of Child Development
- Hellenic American Chamber of Commerce
- Queens Chamber of Commerce
- St. Michael Home for Aged
- St. Nicholas Church of Flushing

**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**.

INY markets its products and services through the print media. Extensive use is made of the weekly Greek-oriented newspaper, *The National Herald*. In addition, the bank advertises in a variety of community publications including*: Bay Ridge Chronicle, Greek American Review, Greek American Homeowners Association, Manhattan Spirit, Queens Gazette* and *Queens Tribune.*

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

Management declared that INY's Board of Directors ("the Board") actively formulates CRA needs assessment. The Board directed management to formulate a CRA Plan that will encourage its officers to service the community efficiently and effectively. The Board directs management through formal policy setting and in less formal methods. The bank has a CRA Officer who is required to make quarterly progress reports to the Board on the efforts made to meet the objectives of the CRA Plan. The Plan is very general in nature with no set goals or targets. Interbank of New York does not perform a self-assessment, except to indicate on credit applications whether a loan is or is not in the bank's assessment area.

Directors participate in promoting the bank's CRA activities through their business activities, primarily through community organizations and contacts.

- **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**.

No additional factors were 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 nonmetropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

**Small Business Loans**

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