



**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, 2003

**Institution:** First American International Bank  
5503 Eighth Avenue  
Brooklyn, New York 11220

**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 and Other	
Lending-Related Activities	
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	
Services	
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 First American International Bank (“FAIB”) 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, 2003.

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

FAIB is rated "2", signifying a satisfactory record of helping to meet the credit needs of its assessment area. This rating is supported by the following factors:

- **Loan-to-Deposit ("LTD") Ratio:** The bank's LTD is considered reasonable, given FAIB's size and financial condition. For the eight consecutive quarters since the prior evaluation, the bank's average LTD ratio is 68.6%.
- **Assessment Area Concentration:** A substantial majority of the bank's HMDA-reportable loans were originated in the assessment area. During the evaluation period, FAIB originated 191 loans (83.8%) totaling \$54.7 million (88.6%) in the assessment area.
- **Geographic Distribution:** The geographic distribution of the bank's lending reflects excellent dispersion throughout the assessment area. In 2002, FAIB extended 52.5% of its HMDA-reportable loans in LMI geographies compared with the aggregate's 15.3% penetration. The bank's dollar volume penetration rate of 52% was almost 240% proportionately greater than the aggregate's rate of 15.3%. In 2003, 46.3% of the bank's HMDA-reportable loans and 49.1% dollar volume were extended in LMI geographies.
- **Borrower Distribution of Lending:** The bank achieved a reasonable distribution of lending among borrowers of different income levels. In 2002, the bank extended one loan (10%) totaling \$75 thousand (3.5%) to an LMI borrower. Aggregate ratios of 14.2% by number and 7.2% by dollar volume indicate that FAIB was able to maintain an adequate rate of lending to LMI borrowers. In 2003, the bank extended seven (5.8%) home purchase and refinance loans totaling \$1.3 million (4%) to LMI borrowers.
- Neither the Banking Department nor the bank received any complaints concerning its CRA performance or other CRA-related matters.

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:**

FAIB is a New York State chartered commercial bank. The New York State Banking Department issued an authorization certificate to FAIB in October 1999. Federal Deposit Insurance Corporation ("FDIC") deposit insurance became effective in November 1999, which is the same month FAIB commenced operations.

FAIB operates three full service branch offices: its main office located in Kings County, and branches located in New York County (Manhattan), and in Flushing, Queens County. The New York and Queens County offices were established in January 2002 and July 2003, respectively. Each office features automated teller machines ("ATMs").

As per the FDIC's Consolidated Report of Condition ("Call Report") as of December 31, 2003, the bank reported total assets of \$118.3 million, of which \$59.5 million (50.3%) were loans and lease finance receivables. FAIB reported total deposits of approximately \$101.1 million resulting in a net loan-to-deposit ratio of 58.9%. According to the latest available comparative deposit data as of June 30, 2003, FAIB ranked 88<sup>th</sup> among 111 deposit-taking institutions in the assessment area, with a market share of 0.02% (\$68.8 million).

The following is a summary of the bank's loan portfolio, based on Schedule RC-C of the bank's December 31, 2002 and December 31, 2003 Call Reports.

<b>Loan Portfolio Composition</b>				
<b>Loan Type</b>	<b>12/31/2002</b>		<b>12/31/2003</b>	
	<b>\$ (000's)</b>	<b>%</b>	<b>\$ (000's)</b>	<b>%</b>
1-4 Family Residential Mortgage Loans	6,466	15.80	9,014	15.07
Commercial Mortgages	27,506	67.22	40,595	67.88
Multifamily Mortgages	6,553	16.01	8,727	14.59
Construction Loans	142	0.35	803	1.34
Commercial & Industrial Loans	139	0.34	565	0.94
Consumer Loans	341	0.83	416	0.70
Less: Unearned Income	(225)	(0.55)	(314)	(0.52)
<b>Gross Loans</b>	<b>40,922</b>	<b>100</b>	<b>59,806</b>	<b>100</b>

The composition of the loan portfolio indicates commercial mortgages, multifamily mortgages and 1-4 family residential mortgage loans were the bank's primary business focus. FAIB offers a variety of loan products including:

- Passbook and CD secured Loans
- Home Improvement Loans
- Conventional Mortgage Loans
- Adjustable Mortgage Loans
- Commercial Real Estate Loans
- Commercial and Industrial Loans

- Second Mortgages
- Low Documentation Mortgages
- Secured and Unsecured Personal Loans
- Equity Line of Credit Loans – 1 to 4 Family and Commercial
- Construction Loans
- Commercial Lines of Credit
- Coop Loans
- Condo Mortgages
- Secured Credit Cards
- Letters of Credit
- SBA Loans

In 2002, FAIB became an approved U.S. Small Business Administration (“SBA”) lender. However, the bank did not originate any SBA loans during the review period.

FAIB is a designated Community Development Financial Institution (“CDFI”). In 2002, the bank was awarded \$843.2 thousand from the United States Treasury Department as an award in recognition of its lending and community development and investment activities under the Bank Enterprise Awards Program. The awards were granted based on the bank’s support of CDFIs through the placement of long-term deposits with such CDFIs.

In a letter dated February 9, 2004, the Federal Housing Finance Board (“FHFB”) stated that it has completed a review of the bank’s Community Support Statement. According to the FHFB, the institution has demonstrated a commitment to community investment and service and meets the regulatory standard.

The bank received a rating of “2,” reflecting a satisfactory record of helping to meet community credit needs at its prior Performance Evaluation conducted by the New York State Banking Department as of December 31, 2001.

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

**Assessment Area:**

The bank’s assessment area is comprised of Kings, New York and Queens Counties, in their entirety, all of which are part of Metropolitan Statistical Area (“MSA”) 5600-New York. According to the 2000 U.S. Census, there are 1,752 census tracts in the assessment area, of which 159 are low-, 446 moderate-, 574 middle-, 531 upper- and 42 zero-income tracts. Low and moderate-income census tracts (“LMI”) totaled 605 (34.5%). The following chart shows the distribution of census tracts in the assessment area:

Distribution of Census Tracts by Income Level							
County	Geography Income Level						LMI %
	Zero	Low	Moderate	Middle	Upper	Total	
New York	9	47	68	26	146	296	38.85
Queens	18	12	107	298	238	673	17.68
Kings	15	100	271	250	147	783	47.38
Total	42	159	446	574	531	1,752	34.53
% Total	2.4	9.07	25.46	32.76	30.31	100.00	

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

**Assessment Area Details:**

**Kings County**

LMI areas characterize Kings County. Based on 2000 U.S. Census information, LMI census tracts accounted for about 48% of the 783 census tracts in the county. This reflects a 16.5% increase between 1990 and 2000 in the proportion of LMI census tracts in the county. Middle and upper-income tracts represent approximately 32% and 19%, respectively.

According to the 2000 U.S. Census, approximately 26% of the housing stock of almost 930.9 thousand units was owner-occupied, with around 69% rental occupied. Rental units were about 72% of all units. Of the total number of housing units, 1-4 family units and multifamily units comprised about 49% and 51%, respectively. Approximately 5% of total housing units were vacant.

The population of Kings County, based on the 2000 U.S. Census, was approximately 2.5 million persons, increasing from 2.3 million in 1990. The weighted average of the median family income was \$39,349 increasing from \$31,470 in 1990. In 2000, 24% of households were living below the poverty level. Of those households living below the poverty level, approximately 71% lived in LMI communities and comprised about 40% of those areas.

**Queens County**

Based on 2000 U.S. Census information, Queens County is comprised predominantly of middle and upper-income tracts, which accounted for 44% and 35%, respectively, of the 673 tracts in the county. LMI tracts accounted for 18% in the county although the proportion of LMI census tracts increased almost 37% between 1990 and 2000.

According to the 2000 U.S. Census, approximately 41% of the housing stock of 817.3 thousand units was owner-occupied with around 55% rental occupied. Rental units were about 57% of all units. Of the total number of housing units, 1-4 family units and multifamily units comprised about 60.5% and 39.4%, respectively. Approximately 4% of total housing

units were vacant.

The population of Queens County, based on the 2000 U.S. Census, was 2.2 million persons, increasing from two million in 1990. The weighted average of the median family income was \$49,815 increasing from \$41,137 in 1990. In 2000, 14% of county households were living below the poverty level.

### **New York County**

Upper-income census tracts totaling 146 (49.3%) characterize New York County. The next highest concentration was moderate-income tracts (23%), followed by low-income tracts (16%). Middle-income tracts represent 9% and zero-income tracts 3%. Between 1990 and 2000, the proportion of LMI tracts in this county declined by almost 10% and the proportion of middle-income tracts declined by approximately 20%.

According to the 2000 U.S. Census, the majority of housing in New York County was multifamily units, which accounted for approximately 96% of total housing units of 798.1 thousand. The ratio of rental occupied units (74%) to owner-occupied units (19%) was approximately four-to-one. Approximately 7% of total housing units were vacant.

Based on U.S. Census data, New York County experienced a marginal increase in population between 1990 and 2000, going from 1.49 million to 1.54 million. The weighted average of the median family income was \$71,629 increasing from \$48,582 in 1990. In 2000, 16% of households were living below the poverty level and approximately 64% of these households were located in LMI census tracts.

## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

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

The evaluation period covers calendar years 2002 and 2003, and focused on the bank's HMDA-reportable loans. The volume of small business and consumer loans was relatively insignificant and not considered for the purposes of this CRA evaluation.

### **LTD Analysis and Other Lending-Related Activities:** "Satisfactory"

FAIB's LTD ratio is considered reasonable, given the bank's size and financial condition. The average LTD ratio for the eight consecutive quarters since the prior evaluation is 68.6%, which is 10.7% lower than the peer group average of 76.8%. It should be noted that FAIB sold approximately \$41.9 million in mortgage loans to FNMA during the two-year evaluation period.

LTD Ratio	1Q'02	2Q'02	3Q'02	4Q'02	1Q'03	2Q'03	3Q'03	4Q'03	8Q's Avg.
FAIB*	80.80	71.11	71.43	74.10	67.86	62.80	61.62	58.91	68.6
Peer*	80.09	76.47	75.93	76.04	75.22	75.73	76.21	78.91	76.8

\* Source: Uniform Bank Performance Report

### **Proportion of Lending Within the Assessment Area:** "Outstanding"

A substantial majority of the bank's HMDA-reportable loans were originated in the assessment area. The following two tables depict number of loans and dollar volume of loans, respectively:

<b>Assessment Area (AA) Lending by Number of Loans</b>									
Loan Type	2002			2003			Total		
	In AA	Total	% In AA	In AA	Total	% In AA	In AA	Combined Total	% In AA
Home Purchase	6	6	100.0	91	106	85.8	97	112	86.6
Refinance	4	7	57.1	30	47	63.8	34	54	63.0
Multifamily	30	32	93.8	30	30	100.0	60	62	96.8
<b>Total</b>	<b>40</b>	<b>45</b>	<b>88.9</b>	<b>151</b>	<b>183</b>	<b>82.5</b>	<b>191</b>	<b>228</b>	<b>83.8</b>

Assessment Area (AA) Lending by Dollar Amount of Loans (000's)									
2002				2003			Total		
Loan Type	In AA	Total	% In AA	In AA	Total	% In AA	In AA	Combined Total	% In AA
Home Purchase	1,350	1,350	100.0	25,727	29,124	88.3	27,077	30,474	88.9
Refinance	790	1,085	72.8	8,139	11,185	72.8	8,929	12,270	72.8
Multifamily	8,057	8,363	96.3	10,633	10,633	100.0	18,690	18,996	98.4
<b>Total</b>	<b>10,197</b>	<b>10,798</b>	<b>94.4</b>	<b>44,499</b>	<b>50,942</b>	<b>87.4</b>	<b>54,696</b>	<b>61,740</b>	<b>88.6</b>

During the evaluation period, FAIB originated 191 (83.8%) HMDA-reportable loans totaling \$54.7 million (88.6%) in the assessment area.

Notwithstanding the overall outstanding assessment area concentration, there was a moderate decline between 2002 and 2003. In 2003, the number and dollar volume of loans decreased from the previous year's levels by 7.2% and 7.4%, respectively.

### Geographic Distribution of Lending: "Outstanding"

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The following two tables present the distribution of the bank's HMDA-reportable loans by geography income level:

Geographic Distribution of HMDA-Reportable Loans in 2002									
Geography Income Level	FAIB		Aggregate		FAIB		Aggregate		
	#	%	#	%	\$ (000's)	%	\$ (000's)	%	
Low	5	12.5	3,900	3.8	881	8.6	1,144,917	3.9	
Moderate	16	40.0	11,822	11.5	4,420	43.4	3,315,366	11.4	
<b>Total LMI</b>	<b>21</b>	<b>52.5</b>	<b>15,722</b>	<b>15.3</b>	<b>5,301</b>	<b>52.0</b>	<b>4,460,283</b>	<b>15.3</b>	
Middle	16	40.0	35,899	35.1	3,901	38.2	8,304,098	28.5	
Upper	3	7.5	50,564	49.4	995	9.8	16,350,318	56.0	
N/A	0	0.0	197	0.2	0	0.0	53,989	0.2	
<b>Total AA</b>	<b>40</b>	<b>100.0</b>	<b>102,382</b>	<b>100.0</b>	<b>10,197</b>	<b>100.0</b>	<b>29,168,688</b>	<b>100.0</b>	

Geographic Distribution of FAIB'S HMDA-Reportable Loans in 2003				
Geography Income Level	#	%	\$ (000's)	%
Low	4	2.6	732	1.6
Moderate	66	43.7	21,142	47.5
<b>Total LMI</b>	<b>70</b>	<b>46.3</b>	<b>21,874</b>	<b>49.1</b>
Middle	54	35.8	14,881	33.5
Upper	27	17.9	7,744	17.4
N/A	0	0.0	0	0.0
<b>Total AA</b>	<b>151</b>	<b>100.0</b>	<b>44,499</b>	<b>100.0</b>

In 2002, 52.5% of FAIB's 40 HMDA-reportable loans were in LMI geographies compared with the aggregate's 15.3% penetration. Similarly, the bank's dollar volume penetration rate of 52% was almost 240% proportionately greater than the aggregate's rate of 15.3%.

In light of competition, the bank's size and relatively short history, these LMI penetration ratios are considered excellent, and consistent with the performance of a CDFI.

In 2003, 46.3% of the bank's HMDA-reportable loans and 49.1% dollar volume were extended in LMI geographies. Aggregate lending data for 2003 was not available.

**Borrower Distribution of Lending:** "Satisfactory"

FAIB achieved a reasonable distribution of lending among borrowers of different income levels.

The following tables show the bank's home purchase and refinance loans in 2002 and 2003, and exclude multifamily loans. The prevalence of multifamily loans in 2002 (30 of the 40 assessment area loans) precludes a more meaningful analysis for that year.

Distribution of Home Purchase & Refinance Loans by Borrower Income Levels in 2002								
Borrower Income Level	FAIB		Aggregate		FAIB		Aggregate	
	#	%	#	%	\$ (000's)	%	\$ (000's)	%
Low	0	0.0	2,924	2.7	0	0.0	289,986	1.1
Moderate	1	10.0	12,439	11.5	75	3.5	1,645,534	6.1
<b>Total LMI</b>	<b>1</b>	<b>10.0</b>	<b>15,363</b>	<b>14.2</b>	<b>75</b>	<b>3.5</b>	<b>1,935,520</b>	<b>7.2</b>
Middle	2	20.0	24,929	23.0	320	15.0	4,364,860	16.2
Upper	3	30.0	56,465	52.0	915	42.8	17,870,310	66.2
N/A	4	40.0	11,710	10.8	830	38.8	2,802,260	10.4
<b>Total</b>	<b>10</b>	<b>100.0</b>	<b>108,467</b>	<b>100.0</b>	<b>2,140</b>	<b>100.0</b>	<b>26,972,950</b>	<b>100.0</b>

In 2002, the bank extended one loan (10%) totaling \$75 thousand (3.5%) to an LMI borrower. Aggregate ratios of 14.2% by number and 7.2% by dollar volume indicate that FAIB was able to maintain an adequate rate of lending to LMI borrowers while competing with larger, more established banks.

Distribution of FAIB's Home Purchase & Refinance Loans by Borrower Income Levels in 2003				
Borrower Income Level	#	%	\$ (000's)	%
Low	3	2.5	940	2.8
Moderate	4	3.3	405	1.2
<b>Total LMI</b>	<b>7</b>	<b>5.8</b>	<b>1,345</b>	<b>4.0</b>
Middle	20	16.5	3,402	10.0
Upper	94	77.7	29,119	86.0
<b>Total AA</b>	<b>121</b>	<b>100.0</b>	<b>33,866</b>	<b>100.0</b>

In 2003, the bank extended seven (5.8%) home purchase and refinance loans totaling \$1.3 million (4%) to LMI borrowers. No meaningful year-to-year analysis was performed due to the substantial increase in loan originations: 10 loans compared to 121 loans. Aggregate data for 2003 was not available.

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

Neither the Banking Department nor the bank received any complaints concerning its CRA performance or other CRA-related matters.

### **Services**

***Credit Education and Assistance Program:*** Targeted to LMI residents in the assessment area, the bank's Credit Education and Assistance Program is geared primarily toward bringing newly arrived immigrants and consumers with no banking relationship into the financial mainstream. Partnering with FAIB in providing this community development service are various local social-service organizations.

In 2003, the bank conducted a series of "Credit & Basic Banking Services" sessions with the Brooklyn Chinese-American Association. Other events sponsored or supported by the bank, included the "Fujianese Family Day," and a "Beacon Family Service" event sponsored by the Chinese-American Planning Council ("CPC"). CPC is the oldest and most established social service organization for LMI and recent-immigrant population of Asian-Chinese descent.

***Affordable Homes Financing Seminars:*** In late 2003, FAIB offered a series of seminars in conjunction with the CPC to assist applicants in buying homes developed under the HomeWorks program of the New York City Department of Housing Preservation and Development ("HPD"). For such seminars, the bank distributed bi-lingual literature and FAIB tri-lingual officers conducted the sessions in English, Cantonese and Mandarin.

***Credit Counseling:*** FAIB provided credit counseling at all its branches, via telephone at the bank's Mortgage Center and Secured Credit Card Department. This service is complemented by post account-opening counseling and is geared to LMI residents.

***Secured Credit Card Program:*** The program's objective is to increase the dispersion of credit in the assessment area, by helping new immigrants establish and build a credit history.

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

Examiners noted no practices intended to discourage applications for the types of credit offered by the institution.

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

Concurrent regulatory compliance examinations conducted by the New York State Banking Department indicated satisfactory compliance with antidiscrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

## **Process Factors**

**Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.**

FAIB ascertains the credit needs of its community through active involvement in local community activities and partnering with groups such as community planning boards, real estate organizations, senior citizen centers and other civic and fraternal organizations.

**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 established an advisory group made up of local leaders, merchants, academics and religious leaders to advise the bank on community development, and oversee local community development activities. Fundamental to this strategy are verbal outreach efforts, to inform customers, local community leaders, as well as community organizations, regarding the bank's products and services.

FAIB's product and marketing strategy include formal advertising media such as newspapers, local community periodicals, radio and television.

**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.**

The bank's strategic plan is periodically updated to reflect the ever-changing characteristics of the communities served. In 2002, the board of directors approved and adopted a mission statement that, in keeping with the bank's certification as a CDFI, reinforced the bank's commitment to actively promote economic development, investment and job creation within the assessment area.

## **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.**

None.

## 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.