



**NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
One State Street
New York, NY 10004**

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Evaluation Date: December 31, 2003

**Institution: Liberty Bank of New York
11 West 32nd Street
New York, NY 10001**

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Banking Department concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Liberty Bank of New York ("LBNY") 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 ("LMI") areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires the Banking Department to assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate an institution's performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of its 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 written summary ("Evaluation") be made available to the public. Evaluations of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.3 and detailed in Section 76.12 of the regulation. These tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the end of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

Liberty Bank of New York is rated "2," indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following factors:

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:*** The bank's LTD ratio is reasonable considering the bank's size, financial condition and the credit needs of the assessment area. LBNY's average LTD ratio for the eight consecutive quarters ended December 31, 2003, was 54.8%. This ratio is well below the peer group's average of 75.7%; however, the bank is still a relatively new institution operating in a highly competitive environment.
- ***Assessment Area Concentration:*** The bank originated a majority of its small business loans within its assessment area: 77.1% in 2002 and 80.5% in 2003. Based on dollar volume rather than loan count, LBNY's assessment area concentration was approximately 80% during both years of the evaluation period.
- ***Geographic Distribution of Loans:*** The geographic distribution of the bank's small business loans is reasonable. In 2002, 22.5% of the 111 small business loans originated by the bank in its assessment area were extended in LMI geographies. In 2003, this percentage declined to 19.4%. However, based on dollar volume, the percentage of lending in LMI geographies increased to 26.1% from 14.5% between 2002 and 2003.
- ***Distribution by Borrowers Characteristics:*** The bank's lending to businesses of different sizes is marginally reasonable. In 2002, 63.1% of the bank's small business loans were extended to borrowers with gross annual revenues ("GAR") of \$1 million or less. In 2003, this ratio was only 43.5%. The ratio based on dollar volume declined as well, to 32.0% from 63.8%. At the prior evaluation, the bank's performance under this assessment factor was excellent, as all of the bank's small business loans extended within the assessment area were originated to businesses with GAR of \$1 million or less.
- ***Complaints:*** Neither the bank nor the New York State Banking Department received any complaints with respect to the bank's CRA performance during the evaluation period.

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:

LBNY was founded in March 1998 as a New York State-chartered, FDIC-insured commercial bank. In addition to its main branch office in Manhattan, LBNY also operates a full service branch office in Flushing, Queens. Each branch is equipped with two automated teller machines ("ATMs") accessible 24 hours a day, seven days a week. There is also a night depository at each branch. No branches were opened or closed during the evaluation period.

On its Call Report for December 31, 2003, LBNY reported total assets of \$73.5 million, including \$32.9 million (44.8%) in net loans, \$26.5 million (36.1%) in securities and \$5.6 million (7.6%) in federal funds sold. LBNY also reported total deposits of \$64.1 million, resulting in a loan-to-deposit ratio of 51.3%.

According to the most recent deposit market data available from the FDIC, compiled as of June 30, 2003, LBNY had total deposits of \$65.9 million. While New York County (Manhattan) provided 73.9% (\$48.7 million) of the bank's deposits, the bank's deposit market share in this county was only 0.02%.

Credit products offered by the bank include: commercial loans, letters of credit, fixed asset loans, commercial real estate loans and, to a lesser extent, personal loans.

The following table summarizes LBNY's portfolio, as noted on the bank's Call Reports for December 31, 2001, 2002 and 2003:

GROSS LOANS OUTSTANDING						
Loan Type	12/31/2001		12/31/2002		12/31/2003	
	\$000's	%	\$000's	%	\$000's	%
Commercial Mortgage Loans	17,409	48.4	18,537	53.0	17,448	51.8
Commercial & Industrial Loans	12,346	34.3	12,192	34.8	11,900	35.3
1-4 Family Residential Mortgage Loans	4,361	12.1	2,536	7.2	2,074	6.2
Consumer Loans	731	2.0	797	2.3	959	2.8
Agricultural Loans	800	2.2	800	2.3	800	2.4
Other Loans	324	0.9	145	0.4	386	1.1
Construction Loans	0	0.0	0	0.0	128	0.4
Gross Loans Outstanding	35,971	100.0	35,007	100.0	33,695	100.0

The above table shows that, in each of the past three years, commercial loans accounted for more than 80% of the bank's loan portfolio. The percentage of loans secured by residential properties has declined and all other types of lending remained at very low levels.

LBNY does not participate in any government insured, guaranteed or sponsored loan programs; however, it does offer its own special small business loan program targeted to

businesses with annual sales of less than \$500 thousand. The program offers unsecured loans of \$30 thousand or less with a maximum term of three years. During the evaluation period, the bank extended 64 loans totaling \$1.8 million under this program.

LBNY's competitors within its assessment area include a large number of financial institutions that range from finance companies to mortgage bankers, credit unions, savings banks, and long-established money center banks such as Citibank, JPMorgan Chase, and HSBC.

The bank received a rating of "2" at its prior CRA Performance Evaluation, conducted by the New York State Banking Department as of December 31, 2001. This rating reflected LBNY's satisfactory record of helping to meet community credit needs.

There are no known financial or legal impediments noted that would affect the institution's ability to meet the credit needs of its assessment area.

Assessment Area:

The bank's assessment area includes the five counties of New York City: Bronx, Kings (Brooklyn), Queens, New York (Manhattan) and Richmond (Staten Island) Counties. The assessment area has not changed since the prior evaluation.

Based on data from the 2000 U.S. Census, the bank's assessment area contains 2,217 census tracts, including 831 (37.5%) LMI tracts, 671 (30.3%) middle-income tracts and 657 (29.6%) upper-income tracts. There were also 58 (2.6%) zero-income tracts within the assessment area.

According to 1990 Census data, the assessment area comprised 2,216 census tracts, including 733 (33.1%) LMI tracts, 779 (35.1%) middle-income tracts, 638 (28.8%) upper-income tracts and 66 (3.0%) zero-income tracts.

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

Details of Assessment Area

During the 1990s, New York City's population grew by 9.6% to 8.0 million. At the same time, the number of LMI tracts in the city increased by 13.4%, from 733 to 831, indicating that the concentration of lower-income families in the area had increased.

In 2003, the largest percentage of business units in New York City was in the service industry (38.2%). Retail trade (17.9%) and non-classifiable establishments (14.6%) accounted for the next largest percentages of businesses operating in the city.

According to the New York State Department of Labor, the average unemployment rates in

New York City were 8.1% in 2002 and 8.3% in 2003. These rates were significantly higher than the statewide averages of 6.2% and 6.4%, respectively.

The following charts provide additional demographic information about the assessment area:

Chart #1: Population and Income

Chart #2: Housing

Chart #3: Business Demographics.

CHART # 1

LIBERTY BANK OF NEW YORK																						
ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																						
COUNTY	Total Population	Age 65 and over		Age 16 and less		Median Family Income(MFI)	HUD MSA MFI	# of Households		# of HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
		#	%	#	%			#	%	#	%		#	%	#	%	#	%	#	%	#	%
Bronx	1,332,650	133,948	10.05	356,895	26.78	33,099	51,900	463,242	134,404	29.00	317,248	126,457	39.86	57,091	18.00	51,600	16.26	82,100	25.88	150,948	82.24	
Kings	2,465,326	282,658	11.47	587,575	23.83	39,349	51,900	881,006	211,538	24.00	588,870	199,851	33.94	100,237	17.02	98,099	16.66	190,683	32.38	206,724	68.89	
New York	1,537,195	186,776	12.15	229,772	14.95	71,629	51,900	739,167	123,037	17.00	306,220	84,445	27.58	39,739	12.98	38,302	12.51	143,734	46.94	95,683	77.05	
Queens	2,229,379	283,042	12.70	453,930	20.36	49,815	51,900	782,646	110,462	14.11	542,804	114,175	21.03	88,789	16.36	104,945	19.33	234,895	43.27	62,219	30.66	
Richmond	443,728	51,433	11.59	100,675	22.69	64,545	51,900	156,416	15,815	10.11	114,667	15,965	13.92	12,568	10.96	19,274	16.81	66,860	58.31	4,983	17.46	
Total A/A*	8,008,278	937,857	11.71	1,728,847	21.59	48,158	51,900	3,022,477	595,256	19.69	1,869,809	540,893	28.93	298,424	15.96	312,220	16.70	718,272	38.41	520,557	62.02	

* Assessment Area

CHART # 2

LIBERTY BANK OF NEW YORK																			
ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY																			
COUNTY	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Mid-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/ Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Bronx	490,659	132,650	27.04	357,495	72.86	90,522	18.40	8,799	9.72	19,571	21.62	33,584	37.10	28,569	31.56	391,918	79.88	27,447	5.59
Kings	930,866	455,859	48.97	474,122	50.93	238,290	25.60	10,032	4.21	67,293	28.24	94,577	39.69	66,388	27.86	670,996	72.08	50,139	5.45
New York	798,144	28,178	3.53	769,392	96.39	148,695	18.63	2,587	1.74	13,115	8.82	7,717	5.19	125,276	84.25	616,053	77.19	59,500	7.45
Queens	817,250	494,122	60.46	322,175	39.42	334,894	40.98	1,005	0.30	27,763	8.29	144,708	43.21	161,419	48.20	462,179	56.55	34,586	4.23
Richmond	163,993	141,014	85.99	22,645	13.81	99,732	61.00	489	0.49	3,162	3.17	11,958	11.99	84,124	84.35	59,962	36.56	7,652	4.67
Total A/A*	3,200,912	1,251,823	39.11	1,945,829	60.79	912,133	28.97	22,895	2.51	130,891	14.35	292,521	32.07	465,826	51.07	2,201,108	68.77	179,324	5.60

* Assessment Area

CHART # 3

LIBERTY BANK OF NEW YORK											
BUSINESS DEMOGRAPHICS BY COUNTY (2003)											
COUNTY	Number of Businesses	Businesses with Revenues of \$1 million or less		Businesses with Revenues of more than \$1 million		Businesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
Bronx	37,871	24,644	65.07	1,855	4.90	11,372	30.03	27,926	73.74	34,750	91.76
Kings	106,517	69,497	65.24	5,235	4.91	31,785	29.84	77,928	73.16	99,599	93.51
New York	221,146	131,056	59.26	23,366	10.57	66,724	30.17	163,025	73.72	190,918	86.33
Queens	101,919	65,521	64.29	5,435	5.33	30,963	30.38	73,999	72.60	94,685	92.90
Richmond	22,945	14,953	65.17	882	3.84	7,110	30.99	16,838	73.38	21,392	93.23
Total A/A*	490,398	305,671	62.33	36,773	7.50	147,954	30.17	359,716	73.35	441,344	90.00

*Assessment Area

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

LBNY'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) Assessment Area Concentration, (3) Geographic Distribution of Loans, (4) Distribution by Borrower Characteristics and (5) Action Taken in Response to Written Complaints Regarding CRA.

The evaluation period included calendar years 2002 and 2003. LBNY is primarily a commercial lender, and originates few consumer loans and no HMDA-reportable loans. Therefore, only the bank's small business lending was considered in evaluating factors (2), (3) and (4), as noted above.

The demographic data referred to in this report was obtained from the 1990 and 2000 U.S. Census, with the updated median family income figures provided by the U.S. Department of Housing and Urban Development ("HUD").

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

The bank's LTD ratio is reasonable considering the bank's size, financial condition and the credit needs of the assessment area. LBNY is still a relatively new small bank operating in a highly competitive environment, conditions which would limit the volume of loans the bank could generate.

LBNY's average LTD ratio for the eight consecutive quarters ended December 31, 2003 was 54.8%, which is well below the peer group's average of 75.7%. The peer group consists of all insured commercial banks nationwide having assets between \$50 million and \$100 million, with two or fewer branches and operating in a metropolitan area. These ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") prepared by the Federal Deposit Insurance Corporation ("FDIC").

As shown in the table below, the bank's LTD ratios trended downward during the evaluation period. Additionally, the bank's average at this evaluation is lower than the 63.3% average LTD ratio shown at the previous evaluation.

Loan-to-Deposit Ratios									
	3/31/02	6/30/02	9/30/02	12/31/02	3/31/03	6/30/03	9/30/03	12/31/03	Average
Bank	58.47	58.08	58.12	57.58	54.54	51.11	49.24	51.26	54.80
Peer	75.36	76.49	75.71	75.96	74.86	75.32	75.42	76.54	75.71

- **Assessment Area Concentration: “Satisfactory”**

The bank originated a majority of its small business loans within its assessment area. The table below reflects the concentration of LBNY’s lending inside the assessment area:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$000's	%	\$000's	%	
Small Business										
2002	111	77.1	33	22.9	144	11,809	80.3	2,889	19.7	14,698
2003	62	80.5	15	19.5	77	7,128	80.4	1,734	19.6	8,862
Total	173	78.3	48	21.7	221	18,937	80.4	4,623	19.6	23,560

In 2002, the bank originated 77.1% of its small business loans within its assessment area. In 2003, the ratio increased to 80.5%. Based on dollar volume, the assessment area concentration was approximately 80% for both years of the evaluation period.

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

The geographic distribution of LBNY’s small business loans is reasonable. The following table provides a summary of the bank’s small business loan distribution based on geography income levels:

Distribution of Small Business Loans by Geography Income Level*						
2002						
Geography Income Level	Bank				Distribution of Businesses	
	#	%	\$000's	%	#	%
Low	5	4.5	130	1.1	35,740	7.8
Moderate	20	18.0	1,584	13.4	84,887	18.5
Middle	24	21.6	3,956	33.5	118,365	25.8
Upper	46	41.4	4,904	41.5	206,626	45.1
NA	16	14.4	1,235	10.5	12,687	2.8
Total	111	100.0	11,809	100.0	458,305	100.0
2003						
Geography Income Level	Bank				Distribution of Businesses	
	#	%	\$000's	%	#	%
Low	0	0.0	0	0.0	32,361	6.6
Moderate	12	19.4	1,862	26.1	92,116	18.8
Middle	23	37.1	2,075	29.1	107,500	22.0
Upper	26	41.9	2,891	40.6	248,270	50.8
NA	1	1.6	300	4.2	8,571	1.8
Total	62	100.0	7,128	100.0	488,818	100.0

* Geography income levels for 2002 are based upon 1990 census data on median family income figures for the MSA where the business is located. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120% and upper-income is at least 120%. Geography income levels for 2003 are based upon 2000 census data.

In 2002, 22.5% (25 loans) of the bank's 111 small business loans originated in its assessment area were extended in LMI geographies. In 2003, the number of small business loans originated by the bank in its assessment area declined to 62 loans, and the percentage of loans extended in LMI geographies also declined, to 19.4% (12 loans). However, based on dollar volume, the percentage of lending in LMI geographies increased to 26.1% from 14.5% between 2002 and 2003.

The percentage of the bank's loans extended in moderate-income areas is comparable to the ratio of businesses operating in those areas during both years of the evaluation period. However, in 2002, the percentage of loans LBNY extended in low-income areas is far below the ratio of businesses in those areas, and the bank did not extend any loans in low-income areas during 2003, while 6.6% of all businesses were operating in these areas.

- **Distribution by Borrower Characteristics: "Satisfactory"**

The bank's lending to businesses of different sizes is marginally reasonable. The percentage of small business loans LBNY extended to businesses with gross annual revenues ("GAR") of \$1 million or less has declined significantly since the previous evaluation, resulting in a downgrade in this assessment factor from outstanding to satisfactory. The following table provides a summary of the bank's small business loan distribution based on borrower characteristics:

Distribution of Small Business Loans by Business Revenue Size						
2002						
Revenue Size	Bank				Businesses by Revenue Size	
	#	%	\$000's	%	#	%
\$1 million or less	70	63.1	7,530	63.8	296,095	64.6
Over \$1 million	41	36.9	4,279	36.2	37,221	8.1
Revenue N/A	0	0.0	0	0.0	124,989	27.3
Total	111	100.0	11,809	100.0	458,305	100.0
2003						
Revenue Size	Bank				Businesses by Revenue Size	
	#	%	\$000's	%	#	%
\$1 million or less	27	43.5	2,282	32.0	304,269	62.2
Over \$1 million	13	21.0	1,170	16.4	36,686	7.5
Revenue N/A	22	35.5	3,676	51.6	147,863	30.3
Total	62	100.0	7,128	100.0	488,818	100.0

In 2002, 63.1% (70 loans) of LBNY's 111 small business loans originated by the bank in its assessment area were extended to borrowers with GAR of \$1 million or less. In 2003, the bank's ratio was only 43.5% (27 of 62 loans). The ratio based on dollar volume declined as well, to 32.0% from 63.8%. During the prior evaluation period, all of LBNY's small business loans were extended to businesses with GAR of \$1 million or less.

The percentage of loans extended to businesses with GAR of \$1 million or less is similar to the percentage of businesses in that category during 2002. However, in 2003, LBNY's ratio is far below the percentage of businesses with GAR of \$1 million or less. The bank did not have revenue information for approximately one-third of its loans originated during 2003. This ratio is about the same as the percentage of businesses for which revenue information is not available. It is possible that the GAR was \$1 million or less for many of these businesses.

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

Since the prior CRA evaluation as of December 31, 2001, neither the bank nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

- **Discrimination and Other Illegal Practices**

Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.

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

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance and fair lending examinations conducted concurrently with this evaluation indicates satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **Process Factors**

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

LBNY's management did not provide any information regarding its efforts during the evaluation period to ascertain the credit needs of the assessment area.

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 advertises in local Korean newspapers, in addition to distributing promotional

items, brochures and fliers to market its credit products.

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.

Bank management provided no information regarding LBNY's board of directors' involvement in formulating policies and reviewing the bank's performance with respect to the CRA.

- **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 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

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- Technical assistance activities to community development organizations such as:
 - Serving on a loan review committee;
 - Developing loan application and underwriting standards;
 - Developing loan processing systems;
 - Developing secondary market vehicles or programs;
 - Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - Furnishing financial services training for staff and management;
 - Contributing accounting/bookkeeping services; and
 - Assisting in fund raising, including soliciting or arranging investments.

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of \$1 million or less.

Low- or Moderate-Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan 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 non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

LMI Individuals/Persons

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that depicts the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans to LMI geographies or borrowers.

Small Business Loans

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