



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, 2004

Institution: Chinatrust Bank (U.S.A.)
22939 Hawthorne Boulevard
Torrance, CA 90505

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 Chinatrust Bank (U.S.A.) (CTBUSA)) 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, 2004.

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 rates and the written summary be made available to the public (“Evaluation”). Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall Rating

CTBUSA is rated "2," indicating a satisfactory record of meeting the credit needs of its New York State assessment area despite marginally satisfactory performance in a number of ratable categories. It is recommended that the bank address these deficiencies in order to retain a satisfactory rating.

Lending Test- Low Satisfactory

Lending Activity

- The volume of small business lending remains inadequate relative to the bank's size, financial condition, and volume of deposits obtained in the New York market. The level of lending in the New York assessment area is 1.9% of total assets, while deposits account for 38.3% of the bank's total deposits. The bank is encouraged to further improve its responsiveness to the credit needs of its New York assessment area.

Assessment Area Concentration

- The bank originated a high level of small business loans within the assessment area. The bank extended 86.5% of its loans in the assessment in 2003 and 86.8% in 2004.

Geographic Distribution

- The geographic distribution of loans reflects good penetration throughout the assessment area. In 2003, the bank originated 25% of its small business loans in LMI geographies and this was higher than the aggregate's 20.6%. In 2004, the number of loans in LMI areas increased by 75%, thereby increasing the corresponding ratio to 42.4%.

Borrower Characteristics

- The distribution of small business loans according to loan size and borrower revenues indicated an adequate record of serving small- and medium- sized businesses.

In 2003, 43.8% of small business loans originated were for \$100 thousand or less, which was significantly below the aggregate's 95.6%. The corresponding ratio for the bank decreased to 33.3% in 2004.

In 2003, 73.3% of small business loans originated were for more than \$250 thousand but less than \$1 million, which was significantly more than the aggregate's 37.9%. The corresponding ratio for the bank increased to 91.5% in 2004.

- During the current evaluation, the bank's level of community development loans increased significantly to \$8.2 million from \$2.5 million at the prior evaluation.

Investment Test – High Satisfactory

- CTBUSA has a significant portion of community development investments and grants. During the evaluation period, grants amounted to \$4 thousand while qualified investments totaled \$6.6 million, of which \$5.3 million represents new money. While the level of qualified investments is relatively high, most of the investments are neither innovative nor complex.

Service Test – Low Satisfactory

- Chinatrust delivery systems are reasonably accessible to all portions of the assessment area. The bank operates five full-service retail branches throughout the New York assessment area, one each in a low, moderate, and middle- income area and two in upper-income area. It also operates three ATMs, two in Queens and one in New York County. These ATMs allow customers to perform transactions in three languages, English, Spanish and Chinese.
- To complement its branch network, the bank has reasonable alternative delivery systems which include a 24-hour banking telephone system and internet banking.
- Chinatrust provides community development services through its membership in N.Y.S. Chinese Bankers Association, an organization involved in community services. The bank can improve the level of its community development services by being directly involved through its own program.

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:

Established in 1989 and chartered by State of California, Chinatrust Bank (U.S.A.) (CTBUSA), a full service commercial bank headquartered in Torrance, California, is a wholly-owned subsidiary of China Trust Commercial Bank, Taiwan.

In 1995, China Trust Holding Corporation and Trans National Bank merged and became China Trust Bank of California (CTBC). In 1997, CTBC changed its name to CTBUSA and merged with China Trust Bank of New York (CTBNY), a New York-chartered bank established in 1989.

The bank operates 17 full-service retail branches, of which 10 branches are located in California, five in New York, one in New Jersey, and one in the State of Washington. While the bank opened a new branch in Seattle, it closed two branches, one branch in Rockville, Maryland and another in Houston, Texas.

As shown in the consolidated Report of Condition as of December 31, 2004 submitted to the FDIC, the bank has total assets of \$1.9 billion, with loans amounting to \$961.6 million (52.0%) and investment in securities of \$632.3 million (34.3%). Total deposits were \$1.5 billion (80.3%) and equity capital, \$212 million (11.5%). As a percent of the total commercial loan portfolio, the small business loans in the New York assessment area accounted for only 1.0% in 2002 and 0.9% in 2003. However, this percentage increased to 1.9% in 2004 due to the increase in small business loans coupled with the decrease in commercial loan portfolio by 26% to \$633.1 million from \$852.7 million in 2002.

Based on the latest available deposit market share data, as of June 30, 2004, Chinatrust ranked 37th among 109 deposit taking institutions in its New York assessment area. The bank's five New York branches held \$569.4 million or 0.14% of total deposits in its assessment area. However, this represented approximately 38.3% of the bank's total deposits of \$1.5 billion.

The bank provides a wide range of financial products and services to the business communities, particularly to small and medium-sized businesses. The major components of the loan portfolio consisted of commercial mortgages, construction loans and commercial and industrial loans.

The following table illustrates the bank's loan portfolio as of year-end 2002, 2003 and 2004, as reported in the bank's Call Reports:

LOAN TYPE	2002		2003		2004	
	\$*	%	\$*	%	\$*	%
1-4 Residential Mortgage Loans	25,296	2.0	20,350	1.9	31,975	3.3
Construction Loans	260,753	20.4	252,852	24.1	246,740	25.1
Commercial Mortgage Loans	616,368	48.2	496,793	47.3	387,093	39.4
Multifamily Mortgages	50,466	3.9	75,745	7.2	88,237	9.0
Consumer Loans	4,366	0.3	1,538	0.1	2,114	0.2
Commercial & Industrial Loans	185,903	14.5	140,183	13.3	157,739	16.1
Other Loans	135,079	10.6	63,887	6.1	68,090	6.9
Total Gross Loans	1,278,231	100.0	1,051,348	100.0	981,988	100.0

*In thousands

The Bank received a rating of "2" at its previous Performance Evaluation conducted by the New York State Banking Department as of December 31, 2002, reflecting a satisfactory performance in helping to meet the credit needs of its community.

There are no known financial or legal impediments that adversely impacted the bank's ability to meet the credit needs of the assessment area.

Assessment Area:

The assessment area of the bank consists of New York, Kings, Queens and Richmond counties in their entirety. These counties are part of metropolitan statistic ("MSA") 5600 New York. There were 1,862 census tracts in 2003 assessment area, which were reduced to 1,861 census tracts in 2004 due to revisions made by OMB. Changes were also made in the distribution of the tracts in the assessment area.

The following tables illustrate the distribution of census tracts within the assessment area based on counties in 2004 and 2003:

Distribution of Census Tracts within the Assessment Area (2004) based on OMB Revisions as of 2004								
County	Low	Moderate	Middle	Upper	N/A	Total	LMI	
	#	#	#	#	#	#	#	%
Kings	119	297	234	117	15	782	416	53.2
Queens	12	148	310	185	18	673	160	23.8
New York	60	59	24	144	9	296	119	40.2
Richmond	3	11	29	65	2	110	14	12.7
Total	194	515	597	511	44	1,861	709	38.1

Based on OMB revisions in 2004, 10.4% of census tracts were low-income, 27.7% moderate-income, 32.1% middle-income, 27.5% upper-income and 2.4% zero-income of the 1,861 census tracts.

Distribution of Census Tracts within the Assessment Area (2003)								
County	Low	Moderate	Middle	Upper	N/A	Total	LMI	
	#	#	#	#	#	#	#	%
Kings	100	271	250	147	15	783	371	47.4
Queens	12	107	298	238	18	673	119	17.7
New York	47	68	26	146	9	296	115	38.9
Richmond	3	7	25	73	2	110	10	9.1
Total	162	453	599	604	44	1,862	615	33.0

Based on the 2000 U.S. Census, 8.7% of census tract were low-income, 24.3% moderate-income, 32.2% middle-income, 32.4% upper-income and 2.4% zero-income of the total census tracts in the assessment area for 2003.

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

Details of Assessment Area:

According to the Business Demographics Report for 2004, below table depicts various businesses in the bank's assessment area:

2004								
	Counties							
	Kings		New York		Queens		Richmond	
	#	%	#	%	#	%	#	%
Assessment Area Businesses								
Agriculture, Forestry & Fishing	326	0.3	505	0.2	407	0.4	249	1.1
Mining	17	0.0	97	0.0	29	0.0	9	0.0
Construction	6,084	5.6	4096	1.9	7745	7.5	2419	10.4
Manufacturing	4,172	3.8	11698	5.3	3372	3.3	473	2.0
Transportation, Communication	4,645	4.3	7175	3.3	6096	5.9	1046	4.5
Wholesale Trade	6,504	6.0	15852	7.2	5882	5.7	870	3.7
Retail Trade	22,667	20.9	33571	15.2	20315	19.7	3900	16.8
Finance, Insurance & Real Estate	8,715	8.0	25030	11.4	8328	8.1	1751	7.5
Services	40,230	37.0	94320	42.8	35978	34.9	8991	38.6
Public Administration	520	0.5	1556	0.7	426	0.4	128	0.5
Non-Classifiable Establishments	14,821	13.6	26539	12.0	14488	14.1	3440	14.8
Total Businesses	108,701	100.0	220,439	100.0	103,066	100.0	23,276	100.0

The following charts show demographic and economic data for each county of the bank's assessment area.

Chart #1: Shows population and income
Chart #2: Shows business demographics.

Unemployment Rates

In 2004, the New York State Department of Labor Statistics reported that the average unemployment rates for the four counties were as follows: Kings (7.7%), New York (6.2%), Queens (6.4%), and Richmond (6.3%); while the average unemployment rate for the State of New York was 5.8%.

CHART # 1

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	
		#	%	#	%			#	%	#	%		#	%	#	%	#	%	#	%	#	%
Kings	2,462,711	282,213	11.5	587,094	23.8	39,336	57,000	881,127	211,358	24.0	588,241	211,423	35.9	103,885	17.7	98,993	16.8	173,940	29.6	233,373	74.0	
Queens	2,229,379	283,042	12.7	453,930	20.4	49,815	57,000	782,646	110,462	14.1	542,804	123,580	22.8	94,780	17.5	108,206	19.9	216,238	39.8	84,937	38.9	
New York	1,537,195	186,776	12.2	229,772	14.9	71,629	57,000	739,167	123,037	16.6	306,220	89,281	29.2	40,700	13.3	38,804	12.7	137,435	44.9	100,358	77.2	
Richmond	443,728	51,433	11.6	100,675	22.7	64,545	57,000	156,416	15,815	10.1	114,667	17,182	15.0	13,876	12.1	20,679	18.0	62,930	54.9	5,893	19.0	
TOTAL A/A*	6,673,013	803,464	12.3	1,371,471	20.5	51,235	57,000	2,558,356	460,672	18.0	1,551,932	441,466	28.4	253,241	16.3	266,682	17.2	590,543	38.1	424,561	61.1	

* Assessment Area ** In thousands

CHART # 2

BUSINESS DEMOGRAPHICS BY COUNTY											
COUNTY	Number of Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Bussinesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
RICHMOND	23,276	15,751	67.67	908	3.90	6,617	28.43	17,470	75.06	21,724	93.33
KINGS	108,701	72,053	66.29	5,363	4.93	31,285	28.78	80,721	74.26	101,839	93.69
NEW YORK	220,439	132,311	60.02	23,072	10.47	65,056	29.51	164,325	74.54	190,968	86.63
QUEENS	103,066	67,271	65.27	5,460	5.30	30,335	29.43	75,894	73.65	95,959	93.10
Total A/A	455,482	287,386	63.10	34,803	7.64	133,293	29.26	338,410	74.29	410,490	90.12

PERFORMANCE TESTS AND ASSESSMENT FACTORS

This evaluation entails a review of the bank's lending, investment and service activities within the assessment area as provided for in Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board. The evaluation covers years 2003 and 2004

The Lending Test portion of this evaluation considers only the small business loans originated by CTBUSA in 2003 and 2004. The volume of HMDA reportable loans was too small to evaluate since the bank originated only six HMDA loans during the evaluation period.

Statistics contained in this report were derived from several sources. Bank-specific loan information was submitted by the CTBUSA. Aggregate lending for small business loans were obtained from the Federal Financial Institution Examination Council ("FFIEC") and PCi Corporation's CRA Wiz ® software. Demographic information was taken from the 2003 & 2004 U.S. Census Bureau. Estimated median family income for 2003 and 2004 were obtained from the U.S. Department of Housing and Urban Development (HUD).

I. Lending Test: Low Satisfactory

The bank's lending performance was evaluated pursuant to the following criteria: (1) Lending Activity; (2) Assessment Area Lending; (3) Geographic Distribution; (4) Borrower characteristics; (5) Community Development Lending; and (6) Flexible and/or Innovative Lending Practices.

Lending Activity – Needs to Improve

The small business lending volume in the bank's New York assessment area substantially improved during the current evaluation period compared to the prior evaluation. The number of loans increased to 65 from 49, a 32.7% increase between evaluation periods. The volume in dollars increased as well by 54.4% to \$19.2 million from \$12.5 million. According to the Market Share Report for 2004, the bank was 42nd among 262 lenders with 33 loans totaling \$12.3 million.

Despite the improvement in the small business lending during the evaluation period, its level is still low given the size of the bank and the support coming from the New York branches. The small business loans in the New York assessment area as a percent of the bank's total commercial loan portfolio remained low at 1.9% at the current evaluation. Conversely, the bank's five branches in New York held \$569.4 million in deposits which is 38.3% of the total bank-wide deposits. These data confirm that the bank is getting a lot of deposits in the New York area and yet originating just a small portion of the deposits as loans back to the New York area.

Assessment Area Lending – High Satisfactory

The bank originated a high percentage of its loans within the assessment area. During the

evaluation period, 86.7% (65 loans) were originated within the assessment area. In terms of dollar volume, 84.9% (\$22.8 million) of total originations were made within the bank's assessment area.

The following chart shows the distribution of small business loans inside and outside the bank's assessment area:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$*	%	\$*	%	
Small Business (2003)	32	86.5	5	13.5	37	7,042	76.8	2,123	23.2	9,165
(2004)	33	86.8	5	13.2	38	12,307	90.3	1,325	9.7	13,632
Total	65	86.7	10	13.3	75	19,349	84.9	3,348	15.1	22,797

*In thousands

Geographic Distribution of Loans – High Satisfactory

The bank's geographic distribution of small business loans reflects good penetration throughout the assessment area. The LMI penetration rates for small business loans exceeded those of the aggregate by both number and dollar volume in 2003, and the LMI ratio for 2004 was better than that of 2003.

GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS FOR 2003 AND 2004 BY TRACT INCOME									
Geography	BANK – 2003				AGGREGATE – 2003				
Income Level	#	%	\$*	%	#	%	\$*	%	
Low	1	3.1	400	5.7	6,621	3.9	159,523	3.2	
Moderate	7	21.9	1,795	25.5	28,333	16.7	752,276	15.2	
Middle	10	31.3	1,518	21.6	39,545	23.3	974,506	19.7	
Upper	13	40.6	2,829	40.1	92,964	54.7	2,936,220	59.4	
N/A*	1	3.1	500	7.1	2,364	1.4	122,559	2.5	
Total	32	100.0	7,042	100.0	169,827	100.0	4,945,084	100.0	
Geography	BANK- 2004				Aggregate for 2004 not available				
Income Level	#	%	\$(000)	%					
Low	1	3.0	50	0.4					
Moderate	13	39.4	5,328	43.3					
Middle	10	30.3	4,643	37.7					
Upper	9	27.3	2,286	18.6					
N/A*	0	0	0	0					
Total	33	100.0	12,307	100.0					

*In thousands

Borrower Characteristics – Low Satisfactory

The distribution of small business loans by loans size indicates an adequate record of serving its assessment area as shown by the chart below.

In 2003, the bank originated 14 small business loans (43.8%) that were less than \$100 thousand totaling \$764 thousand, which is significantly lower than the aggregate of 95.6%. This number further decreased to 11 loans (33.3%) totaling \$466 thousand in 2004. The number of loans originated was virtually the same in 2003 and 2004, however, the dollar volume increased significantly by 75.7% to \$12.3 million in 2004 from \$7 million in 2003.

DISTRIBUTION OF SMALL BUSINESS LOANS BY LOAN SIZE FOR 2003 & 2004								
Loan Size (\$'000)	2003				Aggregate – 2003			
	#	%	(\$'000)	%	#	%	(\$'000,000)	%
<=\$100	14	43.8	764	10.8	162,904	95.6	2,324	47.0
>\$100&<=\$250	6	18.7	1,118	15.9	4,220	2.5	748	15.1
>\$250-<\$1,000	12	37.5	5,160	73.3	3,327	1.9	1,876	37.9
Total	32	100.0	7,042	100.0	170,451	100.0	4,948	100.0
Loan Size (\$'000)	2004							
	#	%	(\$'000)	%				
<=\$100	11	33.3	466	3.8				
>\$100&<=\$250	4	12.1	580	4.7				
>\$250-<\$1,000	18	54.6	11,261	91.5				
Total	33	100.0	12,307	100.0				

Community Development Loans – Outstanding

The bank has originated a high level of community development loans totaling \$8.2 million as of evaluation date with new money amounting to \$3.4 million.

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

- **\$1.3 million** – In July 2003, the bank extended a loan for \$1.3 million in a moderate-income area in Queens. The loan was to a realty company for the acquisition of a two-storey commercial building.
- **\$1.0 million** – A revolving line of credit for \$700 thousand was approved to finance construction of low and moderate housing in New York City. Due to increasing demand for affordable housing in New York area, an additional \$350 thousand was approved in February 2003.
- **\$5.9 million** – In June 2004, a loan for \$5.9 million was granted to refinance an existing mortgage of a company that owns a three-storey commercial building in a depressed area in Brooklyn. The loan will revitalize/stabilize the area where the investment property is located.

Flexible or Innovative Lending – Low satisfactory

The bank offers a program called the Overseas Chinese Credit Guaranteed Fund (“OCCGF”) to small businesses nationwide including its assessment area. This program is designed to meet the credit needs of small businesses from Taiwan which are starting new business ventures in the United States. The objective of this program is similar to that of Small Business Administration (“SBA”) programs designed to help small businesses to get started. In 2003, 18 loans were granted through the OCCGF program, of which 10 loans (56%) were made in the assessment area. In 2004, loans made in the assessment area dropped to 7(42%) out of 17 loans. Many loans were made in the assessment area under the OCCGF program. However, the dollar amount of \$6.4 million at year end 2004 is negligible when compared to bank’s total assets of \$1.85 billion.

II. Investment Test: - Outstanding

The bank has a significant level of community development investments. During the evaluation period, qualified investments totaled \$6.6 million, of which \$5.3 million is new money. In addition, grants totaling \$4 thousand were given to Neighborhood Housing Services (NY) and Greater Jamaica Development Corporation. Although the level of qualified investments is relatively high, the investments are neither innovative nor complex.

The bank’s qualified investments include the following:

- FNMA & GNMA - On various dates during the evaluation period, the bank invested a total of \$5.3 million in FNMA and GNMA mortgage-backed securities, with loans targeting LMI borrowers in the bank’s assessment area.
- Community Preservation Corporation (CPC) – In 2003, the bank invested in CPC Series II & JJ totaling \$47.2 thousand. CPC is a lending consortium that makes construction and permanent loans for the creation, rehabilitation and preservation of affordable housing throughout the State of New York.

III. Service Test - Low Satisfactory

Retail Banking Services – High Satisfactory

The bank’s delivery systems are reasonably accessible to all portions of its assessment area. The bank operates five full-service retail branches throughout the New York assessment area, one each in a low, moderate, and middle-income area and two in upper-income area. Two branches are located in New York County, two in Queens County and one in Kings Country. The bank has no branches in Richmond County.

It also operates three ATMs, two in Queens and one in New York County. These ATMs allow customers to perform transactions in three languages, English, Spanish and Chinese.

To further improve its branch network, the bank has reasonable alternative delivery systems, which include a 24-hour banking telephone system and PC banking.

The business hours for all the branches are tailored to the convenience and needs of the assessment area. All branches are opened one hour later from Monday through Thursday, and all except the Midtown office is opened until 6:00 pm on Fridays and on Saturday mornings.

Community Development Services – Needs to improve

Chinatrust has been a member of N.Y.S. Chinese Bankers Association for several years. This organization holds regular monthly and annual meetings for its member banks and associates. It invites the community organizations to present the needs (financial and otherwise) and invite participation of the member banks. While the bank participates in this organization, it should have a direct involvement in the community by conducting meetings and trainings to provide credit services to low and moderate-income areas.

IV. 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.

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

Evidence of prohibited discriminatory or other illegal credit practices.

No evidence of prohibited discrimination or other illegal credit practices was noted during the review period. The most recent regulatory compliance report concurrent with this assessment indicates a satisfactory performance in terms of adherence to anti-discrimination or other applicable laws and regulations.

V. 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.

Officers of the bank, especially the bank's CRA officer, work with community-based organizations to identify the community credit needs. Regional executives, lending officers and branch personnel assist in these efforts to identify possible

lending, investment and service opportunities in 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 markets various credit related programs and products through local community newspapers in a five-mile radius of its servicing area which encompasses mostly fall under low-moderate income areas.

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

The board of directors is very much involved in the CRA activities. Through the compliance and audit committees, the Board monitors and oversees these activities. The compliance committee is responsible for formulation and implementation of the bank's CRA policies. Both committees have the responsibility of ensuring that those policies are implemented, followed and adhered to.

VI. 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.

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:

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- 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

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- ❖ 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 2000 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.