



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: Inter Audi Bank
19 East 54th Street
New York, NY 10022

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

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Inter Audi Bank (“Inter Audi”) 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 rating and the written summary be made available to the public (“Evaluation”). Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall Rating

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

- Community development loans, qualified investments, and grants totaled \$9.9 million; of that, 91.0% was new money. This was a 4.2% increase from the prior evaluation.
 - Community development loans totaled \$9.7 million.
 - Qualified investments including grants totaled \$234 thousand; grants totaled \$95 thousand.
- Interaudi provided an adequate level of community development services in its assessment area, such as supplying teachers "Banking on Our Future" 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:

Chartered in 1983, Inter Audi Bank is a private bank based in New York and Florida. As of December 31, 2004, the bank reported total assets of \$922.9 million including loans of \$303.1 million (32.8%). Domestic-based deposits totaled \$699.6 million.

Inter Audi is a wholesale commercial bank which focuses primarily on short-term, fully secured business and commercial loans. Its customer base is mainly Arab-Lebanese-American businesses in the New York metropolitan area and elsewhere in the United States.

The bank is not in the business of originating or purchasing residential mortgages, housing rehabilitation or home improvement loans except as an accommodation to its existing business clients. Accordingly, in August 1997, the Federal Deposit Insurance Corporation ("FDIC") granted the bank designation as a wholesale institution for purposes of its evaluation under the CRA.

In New York State, the bank has one office located in midtown Manhattan. Since the last Performance Evaluation, the bank has not opened or closed any branch in New York State.

There were no financial or legal impediments that would impact the bank's ability to help meet community credit needs.

Assessment Area:

The bank's assessment area includes the following five counties: Bronx, New York, Kings, Queens and Richmond, which are part of Metropolitan Division ("MD 35644"). This area consists of 2,217 census tracts, of which 939 or 42.4% low and moderate-income ("LMI") tracts.

The assessment area appears reasonable based upon the bank's location and its designation as a wholesale institution. There is no evidence that LMI areas are arbitrarily excluded.

Assessment Area Demographic:

As of 2004, the Office of Management and Budget ("OMB") redefined MSAs and other statistical areas. The changes affected Inter Audi's assessment area only in categorizing counties as the bank neither added nor removed any census tracts from the prior evaluation

Population: According to the 2000 US Census updated with 2004 data, the total population of the assessment area was 8 million. Of the total population, 937.9 thousand (11.7%) were over the age of 65 and 1.7 million (21.6%) were under the age of 16.

Unemployment Rates: According to the New York State Department of Labor, New York City's average unemployment rates of 8.3% in 2003 and 7.1% in 2004 were higher than the average state's rates of 6.4% and 5.8%, respectively.

Business Demographic Data: According to the 2004 Business Demographic Data, there were 494 thousand businesses in New York City. Service providers were the largest industry, consisting of 194 thousand (39.3%) businesses followed by retail trade industry with 90 thousand (18.2%) businesses and finance, insurance and real estate with 47 thousand (9.6%) businesses.

PERFORMANCE TEST AND ASSESSMENT FACTORS

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

I. Community Development Test

Interaudi participates in community development initiatives primarily by working with intermediaries that serve its assessment area. During the current evaluation period, the bank’s community development loans, investments and grants totaled \$9.9 million. Total commitments represented an increase of \$1.3 million or approximately 4.0% since the prior evaluation. New money totaled \$9.0 million or 91.0% of the portfolio representing a 20% increase from the prior evaluation’s \$7.5 million. Assets increased by 22.2% to \$922.9 million from \$755.4 million.

The bank’s community development loans, investments and grants were comprised as follows:

| Community Development Portfolio | | | | | | |
|--|-----------------------|----------------------------|----------|-----------------------|----------------------------|----------|
| Type | Commitments | | | New Money | | |
| | No. of Comm’ts | Comm’t Amt (\$00’s) | % | No. of Comm’ts | Comm’t Amt (\$00’s) | % |
| Affordable Housing | 11 | 4,867 | 53.2 | 8 | 3,967 | 49.0 |
| Community Service | 7 | 66 | 0.6 | 7 | 66 | 0.7 |
| Economic Develop. | 1 | 5,000 | 46.2 | 1 | 5,000 | 50.3 |
| Total | 19 | 9,933 | 100.0 | 16 | 9,033 | 100.0 |

Community Development Lending

During the current evaluation period, the bank extended \$9.7 million in community development loan with an outstanding balance of \$8.2 million. The following is a brief description of these loans:

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- 1) In 2004, the bank financed \$3 million to Community Preservation Corporation, a not-for-profit private mortgage lender specializing in financing LMI housing in New York and New Jersey. Its mission is to stabilize, strengthen, and sustain low- and moderate-income communities.
 - 2) In 2003, Inter Audi extended a loan of \$1.2 million to renovate a mixed use building. The property is located in an LMI neighborhood in New York City and contains 20 residential and 4 commercial units.
 - 3) In 2004, the bank extended a \$5 million facility for the development of commercial properties in LMI neighborhoods in Brooklyn.
 - 4) In 2003, a construction loan of \$499 thousand was originated to renovate a building located in an LMI neighborhood in Harlem New York.

- **Qualified Investments**

During the current evaluation period, Inter Audi had qualified investments totaling \$234 thousand, including grants of \$95 thousand.

The following is a brief description of these investments:

- 1) - Inter Audi placed a \$100 thousand certificate of deposit with Community Capital Bank ("CCB"). CCB has been designated as a Community Development Financial Institution by the U.S. Treasury Department. Investment to CCB was used to develop housing for LMI families and to support economic development through lending to small businesses in the local community.
- 2) During the evaluation period, grants totaling \$95 thousand were contributed to several non-profit or charitable organizations that focus on affordable housing and community services. Of that, \$38.7 thousand was given to the Federal Home Loan Bank of New York ("FHLB NY") to support its Affordable Housing Program (AHP). FHLB NY provides grants and low-interest loans for construction and revitalization of housing targeted to LMI families.

- **Community Development Services**

Three of Inter Audi's senior officers volunteered their time teaching in the Bank on Our Future Program. The program's mission is to execute a nationwide delivery system for financial literacy education for youth ages 9-18 at no cost to school districts, with a focus on urban, under-served communities.

II. Discrimination or Other Illegal Practices

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

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

The most recent regulatory compliance and fair lending examinations conducted concurrently with this evaluation indicate a satisfactory performance in terms of adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

III. Other Factors

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

Due to the nature of its business, size and complexity, the bank concentrates on working with financial intermediaries to help fund community development projects. To ascertain the credit needs of its community, the bank keeps in contact with and supports various non-profit organizations that provide community development services. These organizations include Neighborhood Housing Services of New York City, Community Capital Bank, Covenant House, and Providence House.

In order to address the lack of supply of affordable housing throughout New York City, the bank has provided funding to CPC, to enable CPC to fund its larger scale projects of affordable housing.

The CRA Officer is responsible for establishing ongoing relationships with individuals and organizations, which provide community services and promote community developments. After evaluating the outcomes of these contacts, the CRA officer makes recommendations to senior management and the board of directors for further actions.

The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution.

As a wholesale lender, the bank does not market its credit services to the general public.

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 participates actively in formulating CRA policies and monitoring CRA performance. The Board reviews CRA activity reports at each meeting, CRA Policies and Strategic Plans and the CRA statement are reviewed and approved annually. The bank's internal auditor also reviews the CRA program and activities periodically. The board members work closely with senior management and the CRA Officers on CRA activities.

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

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;

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- 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

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- ❖ Assisting in fund raising, including soliciting or arranging investments.

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide nonmetropolitan median family income.

LMI Individuals/Persons

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide nonmetropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

Wholesale Institution

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