



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

**PUBLIC SUMMARY**  
(OFF-SITE EVALUATION)

**COMMUNITY REINVESTMENT ACT**  
**PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2004

**Institution:** Israel Discount Bank of New York  
511 Fifth Avenue  
New York, NY 10017

**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 off-site evaluation of the Community Reinvestment Act (“CRA”) performance of Israel Discount Bank of New York (“IDBNY”) 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 within New York State 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 an institution’s performance. Section 76.5 specifically 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 (“Evaluation”) be made available to the public. Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13 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 back of this document.

## **OVERVIEW OF INSTITUTION'S PERFORMANCE**

### **Overall Rating**

Israel Discount Bank of New York ("IDBNY") is rated "1," indicating an outstanding record of helping to meet community credit needs. The rating is based on the following factors:

- As of December 31, 2004, the bank had community development loan commitments totaling \$72 million, including \$55.7 million (77.3%) outstanding as of the performance evaluation date. In addition, the bank made \$16.5 million in qualified investments, an increase of \$6.2 million (60.2%) since the prior performance evaluation. This combined volume of community development activity is considered excellent in relation to the size of the bank.
- While the overall volume of community development activity showed a 16% decline since the previous performance evaluation, the bank remains firmly committed to addressing the credit and community development needs of its assessment area. IDBNY provided new money totaling \$20.1 million during the current evaluation period, which represents approximately 22.7% of the total community development loans and qualified investments reported in this evaluation.

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

## **PERFORMANCE CONTEXT**

### **Institution Profile**

Chartered in 1962, Israel Discount Bank of New York is a wholly-owned subsidiary of Discount Bancorp, Inc., a Delaware Holding company. Discount Bancorp was formed in 2000 by Israel Discount Bank, Limited to act as holder for the shares of the bank. Israel Discount Bank, Limited is a multi-national banking company headquartered in Tel Aviv, Israel.

At the end of 2004, IDBNY reported total assets of \$8.4 billion, including securities of \$4.8 billion (57.1%) and loans of \$2.5 billion (29.5%). As of the same date, IDBNY's domestic deposits totaled \$3.5 billion, including \$1.6 billion (46.2%) in core deposits. According to data from the Federal Deposit Insurance Corporation ("FDIC"), reported as of June 30, 2004, 88% of IDBNY's domestic deposits were generated within New York State.

IDBNY is a wholesale commercial bank that focuses primarily on providing domestic and international banking services to its U.S. and foreign clientele. The services available through the bank include: personal and commercial checking accounts; money market savings and checking accounts; U.S. and foreign currency exchange; time deposits; visa credit cards; Basic Banking accounts; and, international and domestic private banking. The types of credit available include: asset-based lending; commercial real estate lending; middle-market lending; equipment leasing; factoring; and, import and export financing.

The bank is not in the business of originating or purchasing residential mortgage, housing rehabilitation, home improvement, small business or small farm loans to retail customers, except as an accommodation to its existing clients. Accordingly, on December 9, 1996, the FDIC designated IDBNY a wholesale institution for CRA purposes.

IDBNY operates from two locations in New York State, including the bank's principal office at 511 Fifth Avenue in Manhattan, and a branch located at 1350 Broadway in Manhattan. IDBNY also operates a branch in Los Angeles, California and three branches in southern Florida. Additional facilities are located in the Cayman Islands, London, Paris, Montevideo, Santiago and Sao Paulo.

The bank owns real estate investment trusts (REITs), namely IDBNY Realty Inc. and IDBNY Realty (Delaware) Inc. Other wholly-owned subsidiaries include: Discount Bank (Latin America), headquartered in Uruguay; IDB Leasing, Inc., an equipment leasing company; IDB Capital, a broker/dealer; and, IDB Factors, a division of IDBNY. Israel Discount Bank Ltd. and its subsidiaries operate a combined network of more than 200 branches and representative offices around the world.

## **Assessment Area**

IDBNY's assessment area encompasses the five boroughs of New York City. Each of the five boroughs is located with Primary Metropolitan Statistical Area (PMSA) 5600, as defined by the United States Office of Management and Budget. The assessment area is bordered by Westchester County to the North, Long Island Sound to the Northeast, the Hudson River to the West and the Atlantic Ocean to the East and the South.

Based on data from the 2000 U.S. Census, the assessment area contains 2,217 census tracts, including 58 (2.6%) zero-income, 326 (14.7%) low-income, 613 (27.7%) moderate-income, 663 (29.9%) middle-income and 557 (25.1%) upper-income tracts.

The assessment area appears reasonable based on the bank's designation as a wholesale institution. There is no evidence that LMI areas have been arbitrarily excluded from the assessment area.

## PERFORMANCE TEST AND ASSESSMENT FACTORS

The Banking Department evaluates the CRA performance of wholesale banks pursuant to the "community development test" established 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 investment, community development loans or community development services and the extent to which the 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**

IDBNY participates in community development initiatives primarily by working with intermediaries that serve its assessment area. The bank's CRA performance is most evident in the number and amount of community development loans, qualified investments, and community development services. As noted below, there has been a decline in the bank's volume of activity in these areas since the last performance evaluation; however, the volume of activity remains substantial.

As of December 31, 2004, the bank's community development loans and qualified investments within its assessment area totaled \$88.5 million. This amount represents a decrease of \$16.8 million, or 16%, since the previous performance evaluation. The primary reason for this decline is the 24.2% decrease in dollar value of the bank's community development loans at this evaluation period. This decline was partially offset by a \$16.5 million (60.2%) increase in qualified investments since the prior evaluation period. At the end of 2004, IDBNY had total assets of \$8.4 billion, an increase of 18.3% from the \$7.1 billion reported as of the prior evaluation date.

The bank's portfolio of community development loans within its assessment area is summarized below:

<b>Community Development Loans as of 12/31/04</b>					
Community Development Purpose	# of Commitments	Commitment Amount (\$000's)	% of Total Commitments	Amount Outstanding (in \$000's)	% Of Total Outstanding
Affordable Housing	3	3,836	5.3	3,526	6.3
Economic Development	9	27,788	38.6	15,486	27.8
Revitalization or Stabilization	5	40,422	56.1	36,693	65.9
<b>Total</b>	<b>17</b>	<b>72,046</b>	<b>100.0</b>	<b>55,705</b>	<b>100.0</b>

Fourteen (14) of the community development loans, totaling \$45 million, were new commitments. New loan commitments and outstanding balances can be broken down into the four community development categories as follows:

<b>New Loan Commitments and Outstanding Balances (1/1/03 to 12/31/04)</b>					
<b>Community Development Purpose</b>	<b># of Commitments</b>	<b>New Commitment Amount (\$000's)</b>	<b>% of Total New Commitments</b>	<b>Amount Outstanding (\$000's)</b>	<b>% of New Outstanding Commitments</b>
Affordable Housing	1	500	1.1	190	0.7
Economic Development	9	27,788	61.8	15,486	54.1
Revitalization or Stabilization	4	16,670	37.1	12,941	45.2
<b>Total</b>	<b>14</b>	<b>44,958</b>	<b>100.0</b>	<b>28,617</b>	<b>100.0</b>

In addition to the 14 new loan commitments originated during the evaluation period, the bank had new qualified investments totaling \$8.4 million.

### **Community Development Lending**

At the end of 2004, IDBNY had community development loans and commitments totaling \$72 million, with \$55.7 million outstanding. As shown in the tables above, the bank's community development lending activities were mostly concentrated in revitalization and stabilization projects, which accounted for \$40.4 million (56.1%) of *total* loans and commitments, and \$9.7 million (79%) of *new* loans and commitments.

- **Affordable Housing**

IDBNY did not originate any new affordable housing loans during the evaluation period. The following items are continuing commitments from prior evaluation periods and are still outstanding on the bank's books:

IDBNY approved a \$1.6 million loan in February 2002 to construct housing for low-income senior citizens. Located on East 54<sup>th</sup> Street, this six-story building is being renovated under the New York City Inclusionary Housing Program and will contain 12 studio apartments. The tenants are sponsored by the Metropolitan Council on Jewish Poverty, an organization that obtains subsidies from the New York City Department of Housing Preservation and Development for senior citizen tenants on a non-sectarian basis. The outstanding balance of the loan was \$1.5 million as of December 31, 2004.

In November 2002, the bank approved a \$3 million loan for the acquisition of a bankrupt hotel near John F. Kennedy International Airport. The hotel is being converted into a Tier 2 homeless shelter and will be leased to the Salvation Army. The Salvation Army has a Service Agreement with the New York City Department of Homeless Services ("DHS") whereby DHS is responsible for payment of the Salvation Army's operating costs, including rent. The loan had an outstanding balance of \$1.8 million as of December 31, 2004.

In June 2003, the bank renewed its \$500 thousand share in a \$7.5 million secured revolving credit and term loan facility for the Neighborhood Housing Services of New York

City ("NHS"). This facility has provided funding for the acquisition, construction or rehabilitation of multi-family and mixed-use apartment buildings in LMI neighborhoods of New York City. NHS, a citywide non-profit community revitalization organization, works to increase investment in declining neighborhoods, support neighborhood self-reliance and promote affordable housing throughout New York City. As of the evaluation date, the outstanding balance on this facility was \$190 thousand outstanding.

- **Economic Development**

In March 2004, IDBNY committed \$10 million to Business Loan Express ("BLE"), which includes \$7.5 million in outstanding funds and a standby letter of credit for \$618 thousand. BLE originates and services loans to small businesses under the SBA's Section 7(a) Guaranteed Loan program and Section 504 Loan Program. New York's share in the aforementioned amounts is 4.5%, which is the approximate percentage of business that BLE attributes to New York.

In June 2004, the bank renewed a \$400 thousand line of credit to a non-profit organization that provides capital and technical assistance to other non-profit organizations and enterprises with a social mission. Borrowers and advisory clients include organizations in the areas of health and social services, childcare, education and the arts.

In October 2004, IDBNY created a \$1.8 million line of credit to provide junior-lien loans secured by New York City taxi medallions. These small business loans are provided mainly to individuals and companies that do not have sufficient credit to borrow directly from a bank. Ninety-five percent (95%) of the subject's business is conducted within New York. As of the evaluation date, the line of credit was fully extended.

#### Continuing Commitments from Prior Evaluation Periods

*Small Business Investment Companies (SBICs):* The bank has \$11.0 million in outstanding commitments to three SBICs. The companies are licensed by the U.S. Small Business Administration ("SBA") to provide equity capital and long-term loans to small businesses. The three SBICs in question have extended loans to purchase taxi medallions, radio cars, dry cleaners, laundromats, nail salons and other small retail establishments.

*Community Development in Brooklyn:* In 2003, IDBNY renewed a \$5.7 million line to finance the purchase of a 280,000 square foot, 10-story industrial/commercial building located at 68 Jay Street in Brooklyn. The building provides affordable commercial space to a number of small businesses such as contractors, electricians, carpenters, elevator repair companies, environmental firms and artists. The outstanding amount as of December 31, 2004 was \$2.4 million.

*New York Business Development Corporation (NYBDC):* In January 2004, the bank renewed a \$500 thousand line of credit to NYBDC. This organization was created in 1955 by a special act of New York State's legislature and complements the bank's efforts in

providing long-term working capital, equipment and real estate loans to a variety of small businesses in New York State. As of December 31, 2004, there was \$70 thousand outstanding on this line.

- **Neighborhood Revitalization and Stabilization**

In May 2004, the bank originated a \$5 million line of credit (\$1.8 million outstanding as of 12/31/04) to finance the purchase of eight acres of vacant land located under the Manhattan bridge overpass (“DUMBO”) section of Brooklyn. The land is adjacent to a 6-story, vacant industrial building that is being converted into residential units. The conversion of the vacant building to housing, and the future development of the vacant land, will help revitalize the neighborhood.

IDBNY has a 33.3% risk participation in a major bank's direct-pay letter of credit. The letter of credit provides credit enhancement for a \$4.8 million bond issued by the New York Industrial Development Agency. The proceeds were used to purchase and improve two parking lots and one parking garage in Jamaica, Queens, thereby providing an additional 1,000 parking spaces for shoppers patronizing businesses in the area. In March 2004, the bank approved an additional \$3.2 million letter of credit, for a total facility of \$4.8 million.

In October 2004, IDBNY originated a \$1.5 million line (\$1.0 million outstanding) to Community Preservation Corporation (“CPC”) to use for construction and/or renovation projects in New York City. CPC focuses its development efforts on residential and/or mixed use properties in low- and moderate-income areas of the city.

#### Continuing Commitments from Prior Evaluation Periods

In January 2003, the bank renewed the \$5.3 million outstanding on a previous loan to purchase a 68,000 square foot property located at 600 West 181<sup>st</sup> Street in Washington Heights, Manhattan. The property is located in a moderate-income census tract. The building houses several retail establishments that serve the immediate neighborhood and employ a number of residents from the community.

In December 2001, IDBNY approved a \$17 million loan to purchase a leasehold interest in an enclosed two-story retail shopping mall and an adjacent 454 space parking garage. The mall is located in a moderate-income census tract in Brooklyn and was constructed in 1979 as part of a plan to revitalize the downtown Fulton Street district. Negotiations with New York City have resulted in future tax payments being substantially reduced in exchange for a \$3 million commitment to renovate the property. In October 2002, the bank approved an additional \$7.5 million for further renovations to the mall. As of December 31, 2004, the loan had an outstanding balance of \$23.8 million.

## Qualified Investments

As of the end of 2004, IDBNY had various qualified investments totaling \$16.5 million, including \$8.4 million (51%) in new money and grants. These investments include certain CRA-eligible mortgage-backed securities ("MBS") issued by FNMA and FHLMC, and equity investments in SBICs and the CRA Qualified Investment Fund. Also included are certificates of deposit placed with local community development financial institutions that actively support small businesses and affordable housing within the community.

The following paragraphs provide brief descriptions of the bank's qualified investments:

*Mortgage-Backed Securities ("MBS"):* The bank continues to purchase mortgage-backed securities issued by FNMA and FHLMC. These investments are backed by residential mortgages extended to LMI individuals who live in LMI census tracts within the bank's assessment area. The balance outstanding as of examination date was \$11.0 million, including \$5.0 million in new money.

*CRA Qualified Investment Fund:* During the evaluation period, IDBNY increased its investment in this fund by \$500 thousand, for a total of \$1.5 million outstanding. This fund invests at least 90% of its net assets in CRA-qualified securities, including securities backed by single- and multi-family mortgage loans and economic development loans. The fund also invests in taxable municipal bonds that have a primary purpose of supporting community development initiatives.

*New York Emerging Neighborhood Fund:* In August 2000, the bank committed \$500 thousand to this fund. The fund was formed to acquire, invest in, manage, improve and dispose of a diversified portfolio of real estate investments consisting primarily of residential and mixed-use properties in LMI neighborhoods within New York City. The bank contributed an additional \$17 thousand during the evaluation period, bringing its total investment to approximately \$64 thousand as of year-end 2004.

*Navigator Growth Partners, LP:* Licensed by the SBA as an SBIC, this fund provides growth and acquisition equity to privately-held companies located primarily in the northeastern United States. IDBNY has a \$2.0 million commitment to the fund. The bank's commitment was made in February 2000. As of December 31, 2004, \$800 thousand has been funded, including \$506 thousand paid out during the evaluation period.

*Meridian Venture Partners II, LP:* This SBIC makes equity investments in small and mid-sized businesses located in the mid-Atlantic region. In July 2004, IDBNY increased its commitment to this fund from \$2 million (committed in March 2000) to \$3.0 million. As of evaluation date, IDBNY has funded \$2.5 million of its commitment, including \$1.9 million paid out during the evaluation period.

*Community Capital Bank:* This community development financial institution is located in Brooklyn and uses its deposits to develop housing for LMI families, promote job creation through small business lending and support businesses that provide products or services to the local community. IDBNY has \$100 thousand on deposit with the Community Capital Bank.

*Neighborhood Trust Credit Union (NTCU):* The bank maintains a \$15 thousand term deposit at NTCU, which is a recognized community development credit union ("CDCU"). NTCU is located in the Washington Heights section of Manhattan and makes loans for home purchases and renovations and to small and minority-owned businesses. CDCUs are non-profit credit unions owned by residents of low-income communities.

- **Grants**

IDBNY funded grants totaling \$470 thousand during the evaluation period. These grants were made to various non-profit organizations that promote affordable housing, educational, vocational and revitalization programs in LMI communities within New York City. The following paragraphs provide brief descriptions of donations the bank made for \$5 thousand or more:

*Federal Home Loan Bank of New York ("FHLBNY"):* IDBNY has been a member of the FHLBNY for the past 7 years. The FHLBNY funds a federally-mandated Affordable Housing Program within the bank's assessment area. In 2003, the FHLBNY contributed \$24.9 million from its prior-year earnings to qualifying projects. Included in this total was \$16.9 million awarded to 68 projects in New York State that created 2,486 housing units. IDBNY's share in this fund for 2003 is \$302 thousand. In 2004, the FHLBNY contributed \$23.4 million from its prior-year's earnings to qualifying projects, including \$15.4 million awarded to 67 projects in New York State to create 2,066 housing units. IDBNY's share in the fund for 2004 was \$83 thousand.

*American ORT Federation:* The New York City chapter of American Organization for Rehabilitation Through Training (ORT) provides vocational and technical training for underprivileged and recently arrived immigrants through courses held at an accredited institute in Queens. Contributions made by IDBNY during the evaluation period totaled \$12.5 thousand.

*Greater Jamaica Development Corporation ("GJDC"):* This non-profit organization was formed to transform the downtown Jamaica, Queens area into a dynamic, multi-purpose center of business, transportation, government, culture and higher education. GJDC has pursued various initiatives to encourage small businesses to locate within the area and has undertaken projects that provide amenities, services and cultural programs to increase the appeal of downtown Jamaica to businesses and consumers. IDBNY's total contribution to GJDC during the evaluation period was \$5.7 thousand.

*Great Neck Arts Center:* This non-profit organization works with elementary, middle school, and high school teachers to help them integrate the arts into the regular classroom curriculum. The organization also has programs for children with learning disabilities and sends teachers to conduct outreach programs at local hospitals, daycare centers, and for disadvantaged and disabled children at places such as Ronald McDonald House. The bank's total contribution to the Center during the evaluation period was \$5 thousand.

*Interest on Lawyer's Accounts "(IOLA)":* IDBNY has a number of interest-bearing deposit accounts that were opened as IOLA accounts. These accounts were established under a New York State program to fund free civil legal assistance for low-income people. During 2004, a total of \$5.5 thousand was remitted for this purpose to the IOLA Fund of the State of New York.

*Lawyers Alliance for New York:* This organization provides a complete range of non-litigation legal services to various non-profit groups that operate in low-income communities. The bank's total contribution for the period under review was \$7.5 thousand.

*Municipal Arts Society Planning Center ("MASPC"):* This organization is a part of the Municipal Art Society of New York. MASPC is a resource for neighborhoods throughout New York City and provides direct technical assistance to low- and moderate-income communities on grassroots planning and development, particularly with regard to techniques for reclaiming vacant lots, gaining waterfront access and creating and implementing neighborhood self-help plans. During the evaluation period, IDBNY contributed \$7 thousand to MASPC.

*Neighborhood Housing Services of New York City ("NHS"):* NHS is a citywide, non-profit, community revitalization organization that works to increase investment in declining neighborhoods. NHS seeks to create, preserve and promote affordable housing in New York City neighborhoods. During the evaluation period, IDBNY made \$23 thousand in contributions to NHS.

*New York City Partnership Foundation:* This foundation administers the charitable and educational programs sponsored by the New York City Partnership and Chamber of Commerce. The foundation supports various programs including affordable housing, community economic development, summer jobs and leadership development. IDBNY made \$6 thousand in contributions to the foundation during the period under review.

## **Community Development Services**

The bank's officers have maintained relationships with various individuals, organizations and agencies concerned with community development and economic revitalization.

The following paragraphs provide brief descriptions of the bank's community development services:

*LaGuardia Community College's Division of Cooperative Education:* This program gives low-income students an opportunity to earn money to finance their education while gaining hands-on experience in the banking industry. During 2003, twenty-one (21) students participated in the program and earned cumulative salaries of \$99,958. In 2004, eighteen (18) students participated in the program and earned cumulative salaries of \$106,222. IDBNY has been involved in this internship program for several years.

*Inner-City Scholarship Fund:* A director of the bank is a Trustee and Vice Chairman of the Executive Council of the Inner-City Scholarship Fund. The fund helps to provide quality education for thousands of economically disadvantaged LMI children who attend 114 inner-city schools within the New York Archdiocese. These schools are located in impoverished areas of New York such as the South Bronx, Harlem, Lower East Side and portions of Manhattan's West Side. Approximately 90% of the disadvantaged children are from families who subsist at, or below, the poverty level. The fund covers the gap between the below-cost tuition and the actual cost of educating each child.

*The New York Emerging Neighborhood Fund, LP:* A senior vice president of the bank is a member of the fund's advisory committee.

*Neighborhood Housing Services of New York City:* A first vice president of the bank is a member of the organization's Citywide Loan Committee.

*Grand Central Partnership:* The bank is a member of the Grand Central Partnership and contributes to the partnership's operations via a pass-through provision in its lease. The partnership oversees the Grand Central Business Improvement District, which encompasses 52 blocks surrounding Grand Central Terminal. The partnership provides supplementary sanitation, security and homeless outreach services throughout the business improvement district

*34th Street Business Improvement District:* With a branch located near Broadway and 35th Street, the bank has also become a member of the 34th Street Business Improvement District. This organization is similar to the Grand Central Partnership in its goals and development and service programs.

## **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.**

No such practices were noted.

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

None noted.

## **III. Other Factors**

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

As a wholesale institution, IDBNY does not offer banking services to the general public. The bank ascertains the credit needs of its community through its contacts with financial intermediaries, charitable organizations and community development groups.

**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 institution.**

The bank uses print and radio advertisements to market its services to the public. Additionally, flyers, statement stuffers, window signs and brochures are used for name recognition and special promotions. Furthermore, the bank conducts one or more loan "blitzes" each year, during which the bank's lending staff perform cold-call visits to various targeted businesses, primarily located within the New York metropolitan area. During 2004, "blitzes" took place in June and October.

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

IDBNY's audit report included a review of the Board of Directors' involvement in the bank's CRA activities; however, there was no documentation to confirm that "The Board of Directors reviews and approves the CRA statement annually."

**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

### 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.

### **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.