



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, 2005

Institution: Community Capital Bank
111 Livingston Street
Brooklyn, New York 11201

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 Community Capital Bank ("CCB") 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, 2005

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires 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 ("Evaluation") be made available to the public. Evaluations of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12. The 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

CCB is rated "1," indicating an "Outstanding" record of helping to meet community credit needs. This rating is based on the following factors:

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:***

CCB's LTD ratio is considered more than reasonable given its size, financial condition and the credit needs of its assessment area. In addition, CCB enhanced the availability of credit in its assessment area with community development commitments totaling \$13.3 million during the evaluation period.

- ***Assessment Area Concentration:***

CCB extended a substantial majority of loans in the assessment area. Of the total loans originated by CCB during the evaluation period, 84.0% were made inside the assessment area.

- ***Geographic Distribution of Loans:***

The geographic distribution of CCB's loans reflects an excellent dispersion among census tracts of different income levels. CCB achieved an LMI penetration rate of 39.7%, which compared favorably with the business demographics of the assessment area.

- ***Distribution by Borrowers Characteristics:***

CCB's lending distribution in the assessment area reflects an excellent penetration among borrowers of different income levels and businesses of different revenue sizes. A substantial majority of CCB's small business loans was originated for amounts of \$250 thousand or less, which indicated its willingness to support small businesses.

- Neither CCB nor the New York State Banking Department received any complaints with respect to its CRA performance during the evaluation period.

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

PERFORMANCE CONTEXT

Institution's Profile:

Chartered in 1990, CCB is a commercial bank headquartered in Brooklyn. CCB specializes in small business lending and mixed-use buildings and endeavors to meet the needs of small and mid-sized businesses and non-profit organizations. On April 6, 2006, CCB was acquired by Carver Bancorp, Inc.

As per Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition ("Call Report") as of December 31, 2005, CCB reported total assets of \$162.8 million, of which \$99.6 million were net loans and lease finance receivables. The total assets increased 18.8% from \$137.1 million during the prior evaluation period. It also reported total deposits of \$140.1 million, which increased 23.8% from \$113.2 million during the prior evaluation period. The loan to deposit ratio as of December 31, 2005 was 71.1%. According to the comparative deposit data dated June 30, 2005, CCB bank obtained a market share of 0.03% or \$139.1 million out of \$471.1 billion inside its market, ranking it 76th among the other 111 deposit-taking institutions in the assessment area.

The following table is a summary of CCB's lending portfolio, based on Schedule RC-C of CCB's December 31, 2003, December 31, 2004 and December 31, 2005 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	2003		2004		2005	
	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	3,058	3.6	1,992	2.2	1,627	1.6
Commercial & Industrial Loans	44,127	52.3	46,232	52.0	57,000	56.1
Commercial Mortgage Loans	17,689	21.0	15,016	16.9	19,190	18.9
Multifamily Mortgages	16,554	19.6	19,081	21.4	16,628	16.4
Agricultural Loans	198	0.2	0	0.0	0	0.0
Construction Loans	2,106	2.5	5,903	6.6	5,253	5.2
Obligations of states & municipalities	0	0.0	0	0.0	0	0.0
Other Loans	613	0.7	763	0.9	491	0.5
Loans to Depository Institutions	0	0.0	0	0.0	1,450	1.4
Total Gross Loans	84,345	100.0	88,987	100.0	101,639	100.0

As illustrated in the above chart, CCB is primarily a commercial & industrial lender, with 56.1% of its loan portfolio in commercial & industrial loans. Multifamily mortgages decreased to 16.4% in 2005 from 21.4% in 2004.

CCB operates two full service banking offices in Brooklyn, located in the corporate office and in Sunset Park, which is in a State Banking Development District. Both branches have Automated-Teller-Machines ("ATMs"), which are available 24 hours, seven days a week to its customers. There was no branch closing or opening during the evaluation period.

CCB's participation in government guaranteed or sponsored loan programs include the following:

- Small Business Administration ("SBA")
- State of New York Mortgage Association ("SONYMA")
- New York City Housing Authority ("NYCHA")
- Loan Initiatives for Tenants ("LIFT") Revolving Loan Fund
- Empire State Development Corporation
- New York City Department of Housing Preservation and Development
- New York State Energy Research and Development Authority ("NYSERDA")
- Community Development Financial Institutions ("CDFI") Award Programs
- US Department of Commerce Minority Business Development Agency

CCB received a rating of "1," reflecting an excellent record of helping to meet community credit needs, at its prior Performance Evaluation conducted by the New York State Banking Department as of December 31, 2003.

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

Assessment Area:

CCB's assessment area comprises the five counties of New York City: Kings, New York, Queens, the Bronx and Richmond. According to the 2000 census data, its assessment area consists of 2,217 census tracts, of which 326 are low-income, 613 are moderate-income, 663 are middle-income, 557 are upper-income and 58 are zero-income census tracts. Kings County has the highest LMI tracts (33.8%), followed by Queens County (29.1%).

In 2003, data from the 2000 U.S. Census indicated that CCB's assessment area contained 2,217 census tracts, including 831 (37.5%) LMI census tracts. In 2004, changes made by the Office of Management and Budget ("OMB") affected the income designations assigned to census tracts throughout the greater New York City area. The table below shows the impact of these changes on the distribution of census tracts within CCB's assessment area:

Distribution of Assessment Area Census Tracts by Income Level prior Exam							
County	Zero	Low	Moderate	Middle	Upper	Total	LMI %
New York	9	47	68	26	146	296	38.9
Bronx	14	117	99	72	53	355	60.8
Kings	15	100	271	250	147	783	47.4
Queens	18	12	107	298	238	673	17.7
Richmond	2	3	7	25	73	110	9.1
Total	58	279	552	671	657	2217	37.5
Distribution of Assessment Area Census Tracts by Income Level Current Exam							

County	Zero	Low	Moderate	Middle	Upper	Total	LMI %
New York	9	60	59	24	144	296	40.2
Bronx	14	132	98	65	46	355	64.8
Kings	15	119	297	235	117	783	53.1
Queens	18	12	148	310	185	673	23.8
Richmond	2	3	11	29	65	110	12.7
Total	58	326	613	663	557	2217	42.4

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

Details of Assessment Area:

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

Chart #1: Shows population and income.

Chart #2: Shows business demographics.

The table below depicts various businesses in the assessment area:

Distribution of Businesses within Assessment Area by Counties										
Type	2005									
	New York		Bronx		Kings		Queens		Richmonds	
	#	%	#	%	#	%	#	%	#	%
Agriculture, Forestry & Fishing	547	0.2	110	0.3	351	0.3	435	0.4	271	1.1
Mining	93	0.0	7	0.0	18	0.0	27	0.0	6	0.0
Construction	4,215	1.8	2,529	6.0	6,674	5.6	8,238	7.6	2,601	10.4
Manufacturing	11,546	5.0	1,021	2.4	4,247	3.6	3,407	3.1	485	1.9
Transportation, Communication	7,221	3.1	1,784	4.2	5,019	4.2	6,362	5.9	1,104	4.4
Wholesale Trade	15,772	6.9	1,742	4.1	6,880	5.8	6,067	5.6	913	3.7
Retail Trade	33,899	14.8	10,000	23.7	24,127	20.4	20,959	19.3	4,056	16.3
Finance, Insurance & Real Estate	25,438	11.1	3,777	9.0	9,521	8.1	8,720	8.0	1,921	7.7
Services	96,308	41.9	15,706	37.2	42,423	35.9	37,198	34.3	9,304	37.4
Public Administration	1,618	0.7	301	0.7	546	0.5	488	0.4	132	0.5
Non-Classifiable Establishments	32,952	14.4	5,203	12.3	18,383	15.6	16,629	15.3	4,106	16.5
Total Businesses	229,609	100.0	42,180	100.0	118,189	100.0	108,530	100.0	24,899	100.0

Economic and statistical data used in this evaluation were derived from various sources. The demographic data was obtained from the 2000 U.S. Census. The 2004 and 2005 updated median family income figures are obtained from Department of Housing and Urban Development ("HUD") estimates.

Unemployment Rates: The following chart illustrates the assessment area's average unemployment rates in comparison to the state's average unemployment rate.

	State-wide and Counties Unemployment Rate					
	State-wide	New York County	Bronx County	Kings County	Queens County	Richmond County
2005	5.0	5.1	7.5	6.2	5.2	5.1
2004	5.8	6.2	9.1	7.6	6.3	6.2

The average unemployment rates for all the counties were above the state wide average unemployment rates for both years.

CHART # 1

ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																					
COUNTY	Total Population	Age Over 65		Age Under 16		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 Living in LMI Tracts	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
BRONX	1,332,650	133,948	10.1	356,895	26.8	33,099	57,650	463,242	134,404	29.0	317,248	133,175	42.0	58,715	18.5	51,854	16.3	73,504	23.2	163,697	85.3
KINGS	2,465,326	282,658	11.5	587,575	23.8	39,349	57,650	881,006	211,538	24.0	588,870	211,549	35.9	103,997	17.7	99,118	16.8	174,206	29.6	233,373	74.0
NEW YORK	1,537,195	186,776	12.2	229,772	14.9	71,629	57,650	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
QUEENS	2,229,379	283,042	12.7	453,930	20.4	49,815	57,650	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
RICHMOND	443,728	51,433	11.6	100,675	22.7	64,545	57,650	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*	8,008,278	937,857	11.7	1,728,847	21.6	48,158	57,650	3,022,477	595,256	19.7	1,869,809	574,767	30.7	312,068	16.7	318,661	17.0	664,313	35.5	588,258	66.3

* Assessment Area

CHART # 2

BUSINESS DEMOGRAPHICS BY COUNTY											
COUNTY	Number of Businesses	Businesses with revenues of \$1 million or less		Businesses with revenues of more than \$1 million		Businesses not reporting revenues		Businesses with fewer than 50 employees		Businesses operating from a single location	
		#	%	#	%	#	%	#	%	#	%
BRONX	42,180	27,461	65.1	1,886	4.5	12,833	30.4	31,167	73.9	39,036	92.6
KINGS	118,189	77,298	65.4	5,460	4.6	35,431	30.0	87,018	73.6	111,365	94.2
NEW YORK	229,609	136,018	59.2	23,007	10.0	70,584	30.7	169,569	73.9	200,693	87.4
QUEENS	108,530	70,286	64.8	5,478	5.0	32,766	30.2	79,604	73.3	101,508	93.5
RICHMOND	24,899	16,476	66.2	906	3.6	7,517	30.2	18,452	74.1	23,369	93.9
Total A/A*	523,407	327,539	62.6	36,737	7.0	159,131	30.4	385,810	73.7	475,971	90.9

* Assessment Area

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

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

The assessment period included calendar years 2004 and 2005. Examiners considered small business lending in evaluating factors (2), (3) and (4), as noted above.

Since CCB is not required to report its small business loans, no comparison was made between CCB's loan data and the aggregate data.

The demographic data referred to in this report was obtained from the 2000 U.S. Census, with the updated median family income figures provided by HUD.

• **LTD Ratio Analysis and other Lending-Related Activities: "Outstanding"**

CCB's LTD ratio is more than reasonable considering its size, financial condition and the credit needs of its assessment area.

CCB's average LTD ratio for the prior eight quarters was 70.2%, which was below the peer group's average of 83.3%. The peer group includes all insured commercial banks having assets between \$100.0 million and \$300.0 million in a metropolitan area with two or fewer full service offices. These ratios were calculated from information shown in the Uniform Bank Performance Report ("UBPR") prepared by the Federal Deposit Insurance Corporation ("FDIC").

As shown in the table below, CCB's LTD ratios started to decline in the 2nd quarter of 2004 and picked up in the last quarter of 2005. However, the decrease in CCB's LTD ratios was mitigated by its asset liability management strategy of selling loans coupled with the growth in its investment portfolio. During the evaluation period, CCB sold loans totaling \$14.5 million. Further, CCB received a \$10.0 million deposits from New York State with a loan funding restriction that unfavorably affected its LTD ratio. Due to a collateral requirement on the New York State deposits, CCB increased its investment portfolio by 62.5% in 2005.

Loan-to-Deposit Ratios									
	2004 (Q1)	2004 (Q2)	2004 (Q3)	2004 (Q4)	2005 (Q1)	2005 (Q2)	2005 (Q3)	2005 (Q4)	Average LTD
Bank	75.4	74.00	72.4	67.3	65.3	66.8	69.2	71.1	70.2
Peer	81.5	82.78	83.4	83.9	84.0	83.7	83.7	83.3	83.3

Community Development Loans

CCB enhanced the availability of credit in its assessment area with community development loans totaling \$13.3 million. These loans were made to nonprofit organizations that support affordable housing, economic development and revitalization and stabilization activities within the assessment area. Included in this portfolio were four loans totaling \$602.5 thousand to individuals that were affected by the destruction of the World Trade Center in 2001.

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

CCB originated a substantial majority of its loans within the assessment area. During the evaluation period, CCB originated 150 small business loans, of which 126 loans (84%) totaling \$27.6 million (85.5%) were made within the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Small Business Loans	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2004	73	83.9	14	16.1	87	18,101	90.4	1,920	9.6	20,021
2005	53	84.1	10	15.9	63	9,469	77.4	2,758	22.6	12,227
Total	126	84.0	24	16.0	150	27,570	85.5	4,678	14.5	32,248

In 2004, CCB extended 73 (83.9%) in number and \$18.1 million (90.4%) by dollar volume of its small business loans in the assessment area. While the volume of loans originated by CCB decreased to 53 loans in 2005, the concentration ratio in the assessment area remained at approximately the same level.

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

The geographic distribution of loans reflects an excellent dispersion among census tracts of different income levels.

Small Business Loans

CCB’s geographic distribution of its small business loans reflects an excellent dispersion among census tracts of different income levels.

The number of small business loan originations in the assessment area decreased slightly to 126 loans from 128 loans since the prior evaluation. However, small business lending in LMI geographies increased 16.3% to 50 loans during this evaluation period. LMI geographic area lending increased by 16.3% to 50 loans from 43 loans during the prior evaluation.

The following chart provides a summary of CCB's small business lending distribution during the evaluation period:

Distribution of Small Business Loans by Geography Income Level*								
Geography	2004				2005			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	5	6.8	2,489	13.8	6	11.3	819	8.6
Moderate	23	31.5	7,091	39.2	16	30.2	3,827	40.4
Middle	9	12.3	1,758	9.7	13	24.5	1,895	20.0
Upper	35	47.9	6,598	36.5	14	26.4	2,474	26.1
N/A	1	1.4	165	0.9	4	7.5	454	4.8
Total	73	100.0	18,101	100.0	53	100.0	9,469	100.0

* Geography income level is based upon 2000 Census data on median family income figure for the MSA. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120% and upper-income is at least 120%.

In 2004, CCB originated 38.4% of its small business loans in LMI geographies, which is well above the percentage of the businesses (28.8%) in LMI census tracks. While the number of loans decreased to 22 loans in 2005, CCB's LMI penetration rate increased to 41.5%, which exceeded the 29.3% businesses located in LMI areas.

The table below shows the distribution of small business loans by county:

DISTRIBUTION OF SMALL BUSINESS LOANS BY COUNTY						
County	2004		2005		Total	
	#	%	#	%	#	%
Bronx	4	5.5	0	0.0	4	3.2
Kings	29	39.7	30	56.6	59	46.8
New York	24	32.9	14	26.4	38	30.2
Queens	14	19.2	9	17.0	23	18.3
Richmond	2	2.7	0	0.0	2	1.6
Total	73	100.0	53	100.0	126	100.0

During the evaluation period, CCB extended 46.8% of the total small business loans originated within the assessment area in Kings County. The second highest loan originations were in New York County, which accounted for 30.2% of the total small business loans within the assessment area.

Distribution by Borrower Characteristics: "Outstanding"

The distribution of loans based on borrower characteristics reflects an excellent penetration among individuals of different income levels and businesses of different sizes.

Small Business Loans

CCB's small business lending distribution based on borrower characteristics reflects an

excellent penetration among businesses of different sizes. Because, there was no borrower revenue information available on almost 42.0% of the small business loans in 2005; small business loans by loan size were used to evaluate CCB's performance.

The following chart provides a summary of CCB's small business lending distribution based on business loans by loan size during the evaluation period:

Distribution of Small Business Loans by Size								
Loan Size	2004				2005			
	#	%	\$000	%	#	%	\$000	%
≤\$100K	28	38.4	1,482	8.2	28	52.8	1,748	18.5
\$101k - \$250k	24	32.9	4,257	23.5	14	26.4	2,308	24.4
\$251k - \$500k	8	11.0	2,847	15.7	7	13.2	2,530	26.7
\$501k - \$1000k	13	17.8	9,515	52.6	4	7.5	2,883	30.4
Total	73	100.0	18,101	100.0	53	100.0	9,469	100.0

During the evaluation period, 44.4% of the total small business loans were extended to businesses with loan amounts of \$100 thousand or less and 30.2% were to businesses with loan amounts ranging from \$100 thousand to \$250 thousand.

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

Since the latest CRA evaluation on December 31, 2003, neither CCB nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

- **Discrimination and other Illegal Practices**

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

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

Evidence of prohibited discriminatory or other illegal credit practices.

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

- **Process Factors**

Activities conducted by the banking institution to ascertain the credit needs of its

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

CCB ascertains the credit needs of its community through its involvement in various community events and programs. Directors and officers of CCB serve on the boards or participate in community organizations, which include but are not limited to New York State Small Business Development Corporation, Brooklyn Economic Development Corporation, and Neighborhood Housing Services. Additionally, CCB maintains relationships with key government agencies on a number of loan programs including but not limited to Small Business Administration, New York State Energy Research and Development Corporation, World Trade Center Revolving Loan Fund and New City Housing Authority.

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.

CCB advertises in local newspapers, bulletin boards, billboards, bus shelters and uses other publications in promoting its business and retail services, programs, events, opportunities and new developments. CCB works closely with small business development centers in each borough to promote its small business services. Further, CCB publishes quarterly newsletters for customers and distributes brochures and information kits to community organizations and media services. The website also provides and maintains information about CCB's services, programs, press releases and publications.

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.

CCB's board of directors monitors CRA activities through the monthly report submitted by the CRA officer. In addition, the board reviews CRA exceptions to CCB's guidelines through the quarterly risk management report.

- **Other Factors**

Other factors that in the judgment of the Superintendent and Banking Board bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community

None.

GLOSSARY

Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3), above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

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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;

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- ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

Home Mortgage Disclosure Act (“HMDA”)

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

Loans to Small Businesses

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

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 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 non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

LMI Individuals/Persons

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all

instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

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

Small Business Loans

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