



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

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

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

**Date of Evaluation:** December 31, 2005

**Institution:** Habib American Bank  
99 Madison Avenue  
New York, New York 10016

**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 the New York branches of Habib American Bank ("HAB") 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 be made available to the public ("Evaluation"). Evaluations of intermediate small banking institutions are primarily based on a review of performance tests and standards described in Sections 76.7 and detailed in Sections 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

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

### I. Lending Test: "Satisfactory"

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:*** HAB's LTD ratio is considered reasonable in light of its size, financial condition and the credit needs of its assessment area. HAB's average LTD ratio since the previous evaluation ending December 31, 2003, was 81.3%, slightly below the peer group average of 83.5%.
- ***Assessment Area Concentration:*** HAB originated a substantial number of its small business loans (87.1%) within the assessment area.
- ***Geographic Distribution of Loans:*** HAB's geographic distribution of small business loans reflects poor dispersion among census tracts of different income levels. During the evaluation period, HAB extended only 12 loans totaling \$1.3 million to borrowers in moderate income areas. In 2004, only 11 out of 1130 total loans were originated in moderate-income areas. In 2005, only one loan totaling \$50 thousand was originated in a moderate-income area.
- ***Distribution by Borrower Characteristics:*** HAB's distribution of loans based on borrower characteristics reflects satisfactory penetration among borrowers of different incomes. Distribution by loan size also reflects a good penetration among businesses of different sizes.

### II. Community Development Test: "Outstanding"

- HAB's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area. During the evaluation period, HAB originated community development loans and made qualified investments commensurate with its size.
- Neither HAB nor the New York State Banking Department received any complaints with respect to HAB's CRA performance during the evaluation period.

## PERFORMANCE CONTEXT

### Institution's Profile:

Chartered in 1983 by the State of New York Banking Department, Habib American Bank ("HAB") is a multi-state commercial bank headquartered in New York City and a member of the Federal Deposit Insurance Corporation (FDIC). HAB has branches in New York, NY; Jackson Heights, NY; Los Angeles and Artesia, California and Edison, New Jersey. HAB also has an International Banking Facility ("IBF") that provides correspondent services to international banks.

HAB is primarily a small business lender to importers and exporters operating in the Indian sub-continent, which includes: India, Pakistan, Bangladesh and Sri Lanka. HAB also has customers who own and operate small businesses engaged in wholesaling imported garments, textiles and novelty items. The businesses are typically family-owned and on average employ 2 to 15 people. Although, in some cases, the gross sales reported by the business may exceed \$1 million, the operating revenues from the overall operations may be well below \$1 million. These entities are considered small businesses for CRA reporting purposes, because gross revenues of \$1 million or less is the determining factor.

As a relatively small bank, HAB faces intense competition from larger financial institutions within its assessment area.

As per the Consolidated Report of Condition (the Call Report) as of December 31, 2005, HAB reported total assets of \$318.2 million, of which \$262.2 million were net loans and leases. HAB's total assets increased 26.3% from the \$252 million reported at the prior evaluation, dated December 31, 2003, while also increasing its total gross loans by 83.1% to \$266.6 million from \$145.6 million. This increase in total assets placed HAB in the intermediate small bank category for the first time.

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

LOAN TYPE	2003		2004		2005	
	\$(000)	%	\$(000)	%	\$(000)	%
1-4 Residential Mortgage Loans	27,407	18.8	30,864	16.9	23,305	8.7
Commercial & Industrial Loans	45,227	31.1	60,331	32.9	56,144	21.1
Commercial Mortgage Loans	45,986	31.6	71,416	39.0	79,559	29.8
Multifamily Mortgages	623	0.4	1,074	0.6	456	0.2
Consumer Loans	3,723	2.6	4,427	2.4	4,335	1.6
Agricultural Loans	0	0.0	0	0.0	0	0.0
Construction Loans	2,630	1.8	1,389	0.8	3,417	1.3
Loans to Banks	20,036	13.8	13,598	7.4	99,413	37.3
Obligations of states & municipalities	0	0.0	0	0.0	0	0.0
<b>Total Gross Loans</b>	<b>145,632</b>	<b>100.0</b>	<b>183,099</b>	<b>100.0</b>	<b>266,629</b>	<b>100.0</b>

As illustrated in the above chart, HAB's primary business focus is commercial lending,

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which represents 59.5% of its loan portfolio during the 2004/2005 assessment period. Since the prior evaluation, there has been a significant increase in loans made to other banks, currently accounting for 37.3% of the loan portfolio, compared to 13.8% at the prior evaluation. This shift was due to call report instructions amendment in 2005, changing the way banks report overnight federal funds placed in or with IBFs.

As of the evaluation date, HAB reported \$262.2 million in net loans and leases, and \$274.4 million in total deposits, resulting in a loan-to-deposit ratio of 95.6%. According to the latest comparative deposit data dated June 30, 2005, HAB obtained a market share of 0.02%, or \$105.2 million out of \$420.9 billion inside its market, ranking it 79<sup>th</sup> among 103 deposit-taking institutions in the assessment area.

### **New York State Operations**

HAB operates two full service banking offices: one branch in New York County and one in Queens County. HAB did not open or close any branches during the evaluation period.

Management reported that as of December 31, 2005, the New York branches totaled \$128.8 million in total assets and \$103.3 million in total deposits.

In 2005, HAB's New York County branch accounted for 72.5% of deposits and 91.9% of small business loan originations, while the Queens County HAB branch accounted for 27.5% of HAB's deposits and 8.1% of its small business loan originations.

Although HAB is an approved Small Business Administration ("SBA") lender, it did not originate any new loans under this program during the evaluation period.

HAB received a rating of "2," reflecting a "satisfactory" 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 the bank's ability to meet the credit needs of its community.*

### **Assessment Area:**

HAB is located at 99 Madison Avenue (between East 29<sup>th</sup> and East 30<sup>th</sup> Streets), New York, New York. HAB's assessment area is composed of a portion of New York County and a portion of Queens County. During the evaluation period, HAB expanded its assessment area to include one additional tract in New York County and the area of Maspeth in Queens County.

The New York County assessment area is bounded by 49<sup>th</sup> and 50<sup>th</sup> Streets to the north, 26<sup>th</sup> and 28<sup>th</sup> Streets to the south, 3<sup>rd</sup> Avenue to the east and 8<sup>th</sup> Avenue to the west.

The Queens County assessment area includes the communities of Astoria, Elmhurst, Corona, Jackson Heights, Woodside, Flushing and Maspeth. The branch is located in Jackson Heights.

The assessment area consists of 180 census tracts: 0 low-income, 68 moderate-income, 84 middle-income, 23 upper-income and 5 zero-income tracts. The following chart shows the distribution of census tract within the assessment area:

Distribution of Assessment Area Census Tracts by Income Level							
County	Zero	Low	Moderate	Middle	Upper	Total	LMI %
New York*	1	0	0	2	13	16	0.0
Queens*	4	0	68	82	10	164	41.5
<b>Total</b>	<b>5</b>	<b>0</b>	<b>68</b>	<b>84</b>	<b>23</b>	<b>180</b>	<b>37.8</b>

\* Indicates a partial county

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

### Details of Assessment Area

Both counties of HAB's assessment area are part of Metropolitan Division<sup>1</sup> (MD) 35644. Of the 180 census tracts in the bank's assessment area, 37.8% are LMI.

### Assessment Area Economic and Demographic Data:

The following is a listing of charts containing important economic and demographic information about each county comprising HAB's assessment area. Economic and statistical data used in this evaluation were obtained from various sources. The demographic data is 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.

*Chart #1: Shows population and income.*

*Chart #2: Shows housing demographics.*

*Chart #3: Shows business demographics.*

Provided below, are the annual unemployment rates for the counties in the assessment area. The statewide and metropolitan division rates are included for comparison:

<sup>1</sup> Metropolitan Division is a county or group of counties within a Core Based Statistical Area that contains a core with a population of at least 2.5 million.

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### **New York County**

New York County's unemployment rate averaged 6.2% in 2004 and declined to 5.1% in 2005. This decline was in line with both the statewide average of 5.8% in 2004 to 5.0% in 2005 as well as the metropolitan division's average of 6.4% in 2004 to 5.3% in 2005.

### **Queens County**

The New York State Department of Labor reported that Queens County's unemployment rate in 2004 and 2005 averaged 6.3% and 5.3% respectively, which is slightly higher than the average for the State of New York at 5.8% and 5.0% respectively.

<b>Assessment Area Unemployment Rate by County and MD</b>				
	Statewide	MD 35644	Queens County	New York County
2004 Annual	5.8	6.4	6.3	6.2
2005 Annual	5.0	5.3	5.2	5.1

**CHART # 1**

<b>ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY</b>																					
COUNTY	Total Population	Age 65 and over		Age 16 and less		Median Family Income(MFI)	HUD MSA MFI	# of Households	# of HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
NEW YORK**	41,398	3,686	8.9	2,181	5.3	114,752	57,000	24,453	2,465	10.1	5,649	522	9.2	458	8.1	527	9.3	4,142	73.3	0	0.0
QUEENS**	677,267	76,961	11.4	127,680	18.9	42,694	57,000	240,902	38,665	16.1	157,589	42,783	27.1	31,262	19.8	31,909	20.2	51,635	32.8	40,339	54.5
TOTAL A/A*	718,665	80,647	11.2	129,861	18.1	45,188	57,000	265,355	41,130	15.5	163,238	43,305	26.5	31,720	19.4	32,436	19.9	55,777	34.2	40,339	53.8

\* Assessment Area

\*\* Partial County

**CHART # 2**

<b>ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY</b>																			
<b>COUNTY</b>	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Mid-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/ Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
<b>NEW YORK**</b>	27,057	928	3.4	26,129	96.6	5,712	21.1	0	0.0	0	0.0	360	6.3	5,352	93.7	19,877	73.5	2,542	9.4
<b>QUEENS **</b>	248,629	108,214	43.5	140,415	56.5	67,347	27.1	0	0.0	21,080	31.3	39,263	58.3	7,004	10.4	177,121	71.2	7,492	3.0
<b>TOTAL A/A*</b>	275,686	109,142	39.6	166,544	60.4	73,059	26.5	0	0.0	21,041	28.8	39,671	54.3	12,347	16.9	196,998	71.5	10,034	3.6

\* Assessment Area;

\*\* Partial County

Habib American Bank  
 CRA Evaluation as of  
 December 31, 2005

**CHART # 3**

<b>BUSINESS DEMOGRAPHICS BY COUNTY</b>											
<b>COUNTY</b>	Number of Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Bussinesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
<b>New York **</b>	55,502	30,116	54.3	8,575	15.4	16,811	30.3	41,764	75.2	46,735	84.2
<b>Queens **</b>	33,583	21,449	63.9	1,742	5.2	10,392	30.9	24,268	72.3	31,472	93.7
<b>Total A/A*</b>	89,085	51,565	57.9	10,317	11.6	27,203	30.5	66,032	74.1	78,207	87.8

\* Assessment Area;

\*\* Partial County

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*HAB's performance was evaluated according to the intermediate small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and other Lending-Related Activities; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans; (4) Distribution by Borrower Characteristics; (5) Action Taken in Response to Written Complaints Regarding CRA and (6) Community Development Activities.*

The assessment period includes calendar years 2004 and 2005. Examiners considered small business lending in evaluating factors (2), (3) and (4), as these accounted for approximately 98.0% of HAB's lending activity.

Statistics utilized in this evaluation are derived from various sources<sup>1</sup>. Aggregate data is not used because as a small bank, HAB is not required to report small business loan data. *Unit volume is the primary factor used to weigh HAB's performance, evaluate trends and draw comparisons. References to dollar amounts are clearly stated whenever they occur.*

### **I. Lending Test – “Satisfactory”**

- **Loan-to-Deposit Ratio Analysis: “Satisfactory”**

HAB's loan-to-deposit (LTD) ratio is reasonable considering HAB's size, financial condition and the credit needs of the assessment area.

HAB's average LTD ratio for the period beginning January 1<sup>st</sup>, 2004 and ending December 31<sup>st</sup>, 2005 is 81.3%, slightly below the peer group's average of 83.5%. The peer group includes all FDIC insured commercial banks having assets between \$300 million and \$1 billion. As shown in the table below, HAB's LTD ratio shows a moderate performance in 2004 and steady improvement for each quarter in 2005 with a high of 95.6% in the fourth quarter of 2005.

The following table shows the loan-to-deposit ratio for the eight quarters since the previous evaluation. These ratios were calculated from information shown in HAB's Uniform Bank Performance Report (“UBPR”) prepared by the Federal Deposit Insurance Corporation (“FDIC”).

<b>Loan-to-Deposit Ratio Analysis</b>									
	2004 (Q1)	2004 (Q2)	2004 (Q3)	2004 (Q4)	2005 (Q1)	2005 (Q2)	2005 (Q3)	2005 (Q4)	Aver.* LTD
Bank	73.2	73.1	70.9	66.3	89.3	88.0	93.8	95.6	81.3
Peer	79.6	80.1	81.3	85.0	84.9	86.0	85.9	85.4	83.5

\* Average

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<sup>1</sup> Information submitted by the institution, Federal Financial Examination Council (“FFIEC”) and PCI Services, Inc. CRA Wiz, an external vendor.

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

HAB originated a substantial majority, 87.1%, of its small business loans within the assessment area. Compared to the previous evaluation, HAB’s assessment area concentration ratio showed a slight decline from 89.3%. Also, the dollar volume of loans originated within the assessment area decreased 12.1 percentage points to 77.2% from 89.3% in the prior evaluation.

The following table depicts the distribution of loans inside and outside the assessment area during the evaluation period:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business										
2004	1,130	89.0	140	11.0	1,270	91,599	83.4	18,266	16.6	109,865
2005	917	85.0	162	15.0	1,079	67,697	70.2	28,744	29.8	96,441
<b>Total</b>	<b>2,047</b>	<b>87.1</b>	<b>302</b>	<b>12.9</b>	<b>2,349</b>	<b>159,296</b>	<b>77.2</b>	<b>47,010</b>	<b>22.8</b>	<b>206,306</b>

- **Geographic Distribution of Loans: “Need to Improve”**

The geographic distribution of small business loans reflects poor dispersion among census tracts of different income levels. During the evaluation period, HAB extended only 12 loans (0.6% of production) totaling approximately \$1.3 million (0.8% of volume) in moderate income areas.

Of the 1,130 loans originated in 2004, 11 loans (1.0%) totaling \$1.3 million (1.4%) were originated in moderate-income areas. In 2005 origination volume decreased to 917 loans with only 1 loan totaling \$50 thousand being originated in a moderate income census tract. These figures are compared to 400 loans (27.3%) totaling \$18.9 million (18.6%) in 2002 and 9 loans (0.8%) totaling \$476 thousand (0.5%) in 2003.

When compared to the 16.9% of businesses located in moderate income areas, HAB’s penetration rate should be improved.

HAB generated approximately 72.5% of its deposits and originated 91.9% of its small business loans from New York County, while only 8.1% of its small business loans were originated in Queens County, compared with 27.5% of HAB’s deposits there. As such, HAB has not met a satisfactory standard in distributing loans among census tracts of different income levels.

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

Distribution of Small Business Loans by Geography Income Level*						
2004						
Geography	Bank				Distribution of Businesses**	
Income Level	#	%	\$000's	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	11	1.0	1,307	1.4	14,320	16.7
Middle	130	11.5	6,246	6.8	22,377	26.1
Upper	984	87.1	83,761	91.4	43,483	50.8
NA	5	0.4	285	0.3	5,484	6.4
<b>Total</b>	<b>1,130</b>	<b>100.0</b>	<b>91,599</b>	<b>100.0</b>	<b>85,664</b>	<b>100.0</b>
2005						
Geography	Bank				Distribution of Businesses**	
Income Level	#	%	\$000's	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	1	0.1	50	0.1	15,018	16.9
Middle	71	7.7	4,086	6.0	23,401	26.3
Upper	845	92.1	63,561	93.9	45,795	51.5
NA	0	0.0	0	0.0	4,697	5.3
<b>Total</b>	<b>917</b>	<b>100.0</b>	<b>67,697</b>	<b>100.0</b>	<b>88,911</b>	<b>100.0</b>

\*Geography income level is based upon 2000 Census data on median family income figure for the MSA of the mortgaged property. 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%.

\*\* Non-Farm Business

- **Distribution by Borrower Characteristics: “Satisfactory”**

The bank’s small business lending distribution based on borrower characteristics reflects reasonable penetration among businesses of different sizes, given the bank’s performance context. During the evaluation period, the bank extended 465 (22.8%) small business loans to businesses with gross annual revenues of \$1 million or less.

In 2004, loans to businesses with revenues of \$1 million or less accounted for 303 (26.9%) of HAB’s business loans, an increase from the 134 (11.2%) in 2003. However, in 2005, this ratio significantly declined 9.2% to 17.7% and the dollar volume decreased to only 2.6%.

In some cases, due to the nature of the bank’s general customer base, gross sales reported by these businesses may exceed \$1 million while the operating revenues from the overall operations may be well below \$1 million. Therefore, a further analysis of the bank’s borrower distribution by loan size was used. This analysis indicated that during the evaluation period, 78.4% of the bank’s small business loans were extended for \$100 thousand or less, which reflects a good penetration among businesses of different sizes.

The following charts provide a summary of the bank's small business lending distribution based on borrower revenues and distribution based on loan size. For comparison, businesses by revenue size is also provided.

Distribution of Small Business Loans by Business Revenue Size*						
Revenue Size	2004					
	Bank				Businesses by Revenue Size**	
	#	%	\$000's	%	#	%
\$1 million or less	304	26.9	22,616	24.7	50,152	58.5
Over \$1 million	825	73.0	68,924	75.2	10,440	12.2
Revenue N/A	1	0.1	59	0.1	25,072	29.3
<b>Total</b>	<b>1,130</b>	<b>100.0</b>	<b>91,599</b>	<b>100.0</b>	<b>85,664</b>	<b>100.0</b>
Revenue Size	2005					
	Bank				Businesses by Revenue Size**	
	#	%	\$000's	%	#	%
\$1 million or less	162	17.7	14,960	22.1	51,417	57.8
Over \$1 million	745	81.2	49,231	72.7	10,307	11.6
Revenue N/A	10	1.1	3,506	5.2	27,187	30.6
<b>Total</b>	<b>917</b>	<b>100.0</b>	<b>67,697</b>	<b>100.0</b>	<b>88,911</b>	<b>100.0</b>

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

\*\* Non-Farm

Distribution of Small Business Loans by Loan Size								
Loan Size (\$in thousands)	2004				2005			
	#	%	\$(000)	%	#	%	\$(000)	%
<=\$100	256	84.2	8,905	39.4	115	71.0	4,535	30.3
>\$100 - <=\$250	31	10.2	5,057	22.4	39	24.1	6,110	40.8
>\$250 - <=\$1,000	16	5.3	7,605	33.6	8	4.9	4,315	28.8
>\$1,000	1	0.3	1,049	4.6	0	0.0	0	0.0
<b>Total</b>	<b>304</b>	<b>100.0</b>	<b>22,616</b>	<b>100.0</b>	<b>162</b>	<b>100.0</b>	<b>14,960</b>	<b>100.0</b>

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

Since the previous CRA evaluation, effective December 31, 2003, neither HAB nor the New York State Banking Department has received any written complaints regarding HAB's CRA performance.

## II. Community Development Test - "Satisfactory"

HAB's community development performance demonstrates adequate responsiveness to the needs of its assessment area through qualified investments, and community development loans and services. A "Satisfactory" rating is deemed appropriate considering the size of HAB's New York operations and the need and availability of such opportunities for community development in the bank's assessment area.

The following are examples of HAB's community development lending, investments and service activities:

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### Qualified Community Development Loans

During the evaluation period HAB renewed a \$25 thousand line of credit to the New York Business Development Corporation (“NYBDC”). NYBDC loans provide financing for higher risk small businesses throughout New York State.

### Qualified Community Development Investment and Grants

During the evaluation period, HAB had \$428 thousand in qualified community development investments and grants, as indicated below.

- During the evaluation period, HAB established \$100 thousand certificates of deposits at the following community development financial institutions (“CDFI”): Community Capital Bank, New York National Bank, Carver Federal Savings Bank and Lower East Side Peoples Federal Credit Union. All the institutions are oriented towards the financing of affordable housing and small business development throughout New York City.
- During the evaluation period, HAB contributed \$3 thousand to the Federal Home Loan Bank of New York (FHLBNY) Affordable Housing Program (AHP). In 1989 Congress authorized the FHLBNY and the other home loan banks to launch the AHP. Since then, the FHLBNY, its member banks, and their not-for-profit community partners have joined together to fund numerous affordable housing initiatives, generating over 30 thousand new affordable housing units in FHLBNY’s service area.
- In 2005, HAB donated \$15 thousand to the City University of New York - Queens College for students in need of financial assistance. One criteria, is that the awarded student must be eligible for financial aid.
- During the evaluation period, HAB donated \$10 thousand to Neighborhood Housing Services of New York to be used for the organization’s general operating support. NHS is a nonprofit organization located on West 27<sup>th</sup> Street in Manhattan. NHS works to increase investments in declining LMI neighborhoods, and encourage and support neighborhood self-reliance. It also helps to create, preserve and promote affordable housing for LMI families in New York City.

### Qualified Community Development Services

HAB participates in activities that provide guidance to small business owners through the Department of Consumer Affairs. These services include seminars which cover topics such as small business ownership and Retailers Outreach.

In collaboration with the American Bankers Association and other banks across the country, HAB sponsored the National Teach Children to Save Day in 2004.

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- **Discrimination and other Illegal Practices**

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 concurrent 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.**

HAB's management ascertains the credit needs of the assessment area through direct contact with their customers. Many staff, including most senior members of management and line managers, participate in the activities of community organizations such as Neighborhood Housing Services of New York, Chamber of Commerce and the Asia Society, all of which are located in the bank's assessment area.

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

HAB's contact with its customers is on a one-on-one basis through an active calling program, which all branch managers and members of senior management are required to participate in. HAB also places advertisements in community publications, such as: Federation of India Day Parade, Desitalk Magazine, Gujarat Times and Little India.

**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 discusses CRA activities regularly and receives regularly updated information from HAB's CRA Officer, Mr. Rizwan Qureshi.

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- **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.**

HAB offers a variety of financial services tailored to the needs of the community it serves. In addition to the traditional product offerings, HAB offers “Freedom Checking” which provides free checking with direct deposit, a “no-fee” Visa card for those with no credit history because of recent immigration to the U.S, and a Home Remittance Program which allows customers to securely remit funds to their home counties to support their families.

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

### **LMI Borrowers**

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

### **LMI Individuals/Persons**

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

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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.