



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

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

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

**Institution:** Nara Bank  
3701 Wilshire Boulevard, Suite 220  
Los Angeles, CA 90010

**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 Nara Bank’s New York branch operations (“Nara”) 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 areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

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

### **Overall Rating**

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

### **Lending Test - High Satisfactory**

- During the evaluation period, Nara originated 618 small business loans totaling \$176.2 million in its New York assessment area. This volume of lending is good given its size, financial condition, and the highly competitive market, where Nara operates.
- Nara originated a high percentage of its small business loans within the assessment area. Based on the number of loans, Nara originated 84.2% and 82.0% of its small business loans in the assessment area in 2004 and 2005, respectively. Similar concentration ratios were also noted based on the dollar volume of these loans.
- The geographic distribution of Nara's small business loans is excellent. In 2004, Nara originated 36.8% of its small business loans in LMI geographies, which was significantly higher than the 27% LMI penetration ratio for the aggregate. While Nara's LMI penetration ratio declined slightly in 2005, it remained higher than the percentage distribution of businesses in LMI geographies. Aggregate data for 2005 was unavailable.
- Nara's lending to businesses with revenues of \$1 million or under is good based on its performance in 2004. During this period, Nara extended 55.2% of its small business loans to businesses with revenues at this level compared to 39.3% for the aggregate. In 2005, Nara's lending to businesses with revenues at this level declined slightly to 49.1%. Aggregate 2005 data was not available for comparison.
- Nara has a relatively high level of community development loans. During the evaluation period, Nara originated three community development loans totaling \$2.8 million. Most of the loans were used to fund ventures, which help revitalize moderate-income neighborhoods.

### **Investment Test – High Satisfactory**

- Nara has a significant level of community development investments including grants. At this evaluation, qualified investments including grants of \$66 thousand totaled \$3.1 million. None of these investments were innovative or complex.

### **Services Test – High Satisfactory**

- Nara’s delivery systems are readily accessible to all portions of the assessment area. It operates four full-service branches in the assessment area, one of which is in a moderate-income geography and one is adjacent to moderate-income tracts. All four branches have deposit-taking automated teller machines and offer convenient banking hours. Banking by mail, by phone, and internet banking services are available and provide convenient access to banking services. Bilingual services in Korean and English are offered at all New York branches, and a Spanish-speaking staff is available at one branch to accommodate the needs of the Hispanic community in the area.
- Nara provides an adequate level of community development services. Its officers regularly perform community development services, which benefit LMI individuals and small businesses in the assessment area. Some of these officers were involved in providing financial literacy training and conducting small business seminars in the community. The quality and quantity of the services provided by its staff were commensurate to the size, capacity and resources of Nara.

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:**

Nara is a California state-chartered full service commercial bank, headquartered in Los Angeles, California. Originally founded in 1989 as Nara Bank, National Association. Nara changed its name to Nara Bank when it became a state-chartered bank in 2005. Nara is a wholly owned subsidiary of Nara Bancorp Inc., a bank holding company. Other subsidiaries of the bank holding company include a real estate investment trust subsidiary and three non-revenue generating trust companies, which were established with the sole purpose of issuing debt instruments to raise money for Nara Bancorp Inc.

Nara was founded to serve the financial needs of the Korean-American community and now serves a diverse group of customers belonging to communities in which it is located. Including its headquarters in Los Angeles, Nara currently has a network of 19 branches and operates eight loan production offices in Washington, Illinois, Georgia, New Jersey, Texas, Colorado, California and Virginia.

Nara's presence in the New York area began with the acquisition of Korea Exchange Bank in 1998, whose Flushing branch became Nara's first New York branch. In February 2000, Nara acquired Korea First Bank of New York and opened three more branches – one in Manhattan and one each in Jackson Heights and Flushing in Queens. As part of the acquisition plan, the two Queens branches were consolidated into one branch in April 2000.

As per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition ("Call Report") as of December 31, 2005, Nara had total assets of nearly \$1.8 billion, of which \$1.4 billion or 81.5% were net loans and leases. As of the same date, total deposits were \$1.5 billion. According to the latest available comparative deposit data dated June 30, 2005, Nara ranked 46<sup>th</sup> among 109 deposit-taking institutions in its New York assessment area. Nara's New York branches held \$371 million or .08% of total deposits in this market, which represented about 25% of Nara's total deposits.

Nara's business strategy is to offer a diverse mix of banking products to small and medium-sized businesses, with emphasis on commercial real estate and business lending, SBA lending and international trade financing. While its primary business focus is small business lending, it also offers consumer products such as automobile loans and home equity products. Nara operates in a highly competitive environment and competes with branches of large regional and multinational banks, local community banks, thrifts, credit unions and other financial institutions. Within the New York assessment area, competitors include Woori America Bank, Citibank, Broadway National Bank, Pan Asia Bank, Liberty Bank of New York, Flushing Savings Bank, and HSBC Bank.

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

<b>Total Gross Loans Outstanding</b>						
<b>Loan Type</b>	<b>12/31/2003</b>		<b>12/31/2004</b>		<b>12/31/2005</b>	
	<b>\$000</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>\$000</b>	<b>%</b>
<b>1-4 Residential Mortgage Loans</b>	45,179	4.5	30,888	2.5	30,913	2.1
<b>Commercial &amp; Industrial Loans</b>	263,519	26.1	353,339	28.5	384,875	26.0
<b>Commercial Mortgage Loans</b>	618,639	61.3	764,154	61.6	966,228	65.2
<b>Mutifamily Mortgages</b>	939	0.1	918	0.1	16,284	1.1
<b>Consumer Loans</b>	53,090	5.3	50,032	4.0	50,003	3.4
<b>Loans to depository institutions</b>	0	0.0	12,000	1.0	17,000	1.1
<b>Construction Loans</b>	24,801	2.5	28,113	2.3	12,824	0.9
<b>Loans secured by farmland</b>	0	0.0	0	0.0	1,340	0.1
<b>Other Loans</b>	2,170	0.2	1,810	0.1	3,179	0.2
<b>Lease financing</b>	46	0.0	8	0.0	0	0.0
<b>Total Gross Loans</b>	<b>1,008,383</b>	<b>100.0</b>	<b>1,241,262</b>	<b>100.0</b>	<b>1,482,646</b>	<b>100.0</b>

As illustrated in the table above, lending to businesses is Nara's primary focus, with commercial mortgage loans and commercial and industrial loans combined comprising 91.2% of the loan portfolio as of December 31, 2005. Nara is not a HMDA-reporter. Although it originates 1-4 family mortgage loans, this loan product is not considered a major activity, accounting for only a very small percentage of Nara's loan portfolio as of December 31, 2005.

This is Nara NY's first CRA Performance Evaluation by the New York State Banking Department.

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

#### **Assessment Area:**

Nara's New York assessment area is comprised of the Bronx, Kings, New York and Queens counties in their entirety. These counties are part of the New York-Wayne-White Plains, NY-NJ Metropolitan Division (# 35644).

The table below illustrates the distribution of census tracts within the assessment area based on counties.

<b>Distribution of Census Tracts within the Assessment Area (2004)</b>								
<b>County</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>N/A</b>	<b>Total</b>	<b>LMI</b>	
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>%</b>
<b>Kings</b>	119	297	235	117	15	783	416	53.1
<b>Queens</b>	12	148	310	185	18	673	160	23.8
<b>New York</b>	60	59	24	144	9	296	119	40.2
<b>Bronx</b>	132	98	65	46	14	355	230	64.8
<b>Total</b>	<b>323</b>	<b>602</b>	<b>634</b>	<b>492</b>	<b>56</b>	<b>2,107</b>	<b>925</b>	<b>43.9</b>

According to the 2000 U.S. Census, there are 2,107 census tracts in the assessment area, of which 15.3% are low-income, 28.6% are moderate-income, 30.1% are middle-income, 23.3% are upper-income and 2.7% are zero-income tracts.

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

### **Unemployment Rates**

According to the Bureau of Labor Statistics, the average unemployment rate in 2005 for Bronx County was 7.5%, Kings County was 6.2%, New York County was 5.1% and Queens County was 5.2%. The New York State 2005 average unemployment rate was 5.0%.

### **Demographic & Economic Data**

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

The demographic data is obtained from the 2000 U.S. Census.

*Chart #1: Shows population and income.*

*Chart #2: Shows business demographics.*

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	
		#	%	#	%			#	%	#	%		#	%	#	%	#	%	#	%	#	%
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	77.0	
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	
<b>TOTAL A/A*</b>	<b>7,564,550</b>	<b>886,424</b>	<b>11.7</b>	<b>1,628,172</b>	<b>21.5</b>	<b>\$47,088</b>	<b>\$57,650</b>	<b>2,866,061</b>	<b>579,441</b>	<b>20.2</b>	<b>1,755,142</b>	<b>557,585</b>	<b>31.8</b>	<b>298,192</b>	<b>17.0</b>	<b>297,982</b>	<b>17.0</b>	<b>601,383</b>	<b>34.3</b>	<b>582,365</b>	<b>68.1</b>	

\* Assessment Area

**CHART # 2**

<b>BUSINESS DEMOGRAPHICS BY COUNTY</b>											
<b>COUNTY AND ASSESSMENT AREA(A/A)</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>BRONX</b>	42,180	27,461	65.1	1,886	4.5	12,833	30.4	31,167	73.9	39,036	92.5
<b>KINGS</b>	118,189	77,298	65.4	5,460	4.6	35,431	30.0	87,018	73.6	111,365	94.2
<b>NEW YORK</b>	229,609	136,018	59.2	23,007	10.0	70,584	30.7	169,569	73.9	200,693	87.4
<b>QUEENS</b>	108,530	70,286	64.8	5,478	5.1	32,766	30.2	79,604	73.3	101,508	93.5
<b>Total A/A</b>	498,508	311,063	62.4	35,831	7.2	151,614	30.4	367,358	73.7	452,602	90.8

## **PERFORMANCE TESTS AND ASSESSMENT FACTORS**

*This evaluation entails a review of Nara's lending, investment and service activities within the bank's assessment area as provided for in Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board. The evaluation covers the years 2004 and 2005.*

*Products considered for this evaluation were small business loans. Statistics employed in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by Nara, aggregate data for small business loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Corporation CRA Wiz, an external vendor.*

*Where aggregate performance data was available, Nara's performance relative to that of the aggregate was the primary basis for the assigned rating, particularly, in the review of the geographic distribution and borrower characteristics assessment factors.*

*Demographics are from the 2000 U.S. Census data supplemented with the 2004 and 2005 HUD estimates.*

### **I. Lending Test: High Satisfactory**

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

#### **Lending Activity – High Satisfactory**

The volume of small business loans extended by Nara in the assessment area is good. During the evaluation period, Nara originated 353 small business loans totaling \$176.2 million within its New York assessment area. Nara's loan originations declined in 2005 due to competition.

Based on the latest available market share data, Nara obtained a market share of 0.2% of the total number of small business loans originated within the assessment area. Although Nara ranked only 23<sup>rd</sup> among 249 small business lenders in the assessment area, its average small business loan amount of \$279 thousand was larger than the average size of the small business loans originated by 21 of those 22 banks with higher market share rankings than Nara. Additionally, Nara's market share was the highest among all other Chinese or Korean-owned banks. Nara demonstrates its commitment to respond adequately to the credit needs of the assessment area given its limitations, its size, financial condition and market competition.

#### **Assessment Area Lending – High Satisfactory**

Nara originated a high percentage of its small business loans within the assessment area during the evaluation period. In 2004, Nara originated 84.2% by number and 83.3% by

dollar volume of its small business loans inside the assessment area. In 2005, while the volume of small business loans declined considerably, Nara originated a similarly high concentration of 82.0% and 81.6% by number and dollar value of loans, respectively, within the assessment area.

### Geographic Distribution of Loans – Outstanding

The geographic distribution of Nara’s small business loans reflects an excellent dispersion of loans throughout the assessment area, with LMI penetration rates exceeding those of the aggregate for both number and dollar volume of loans in 2004.

As shown in the table below, Nara originated 130 (36.8%) small business loans, totaling \$41.5 million (42.1%), significantly higher than 27% by number and 24.8% by dollar volume for the aggregate in 2004. Although the volume of small business loans originated in the assessment area declined in 2005, Nara’s LMI concentration ratios remained near their levels in 2004, declining slightly to 36.6% and 38.3% by number and dollar value of loans, respectively. Nara’s LMI penetration rates exceeded the percentage of businesses located in LMI geographies of the assessment area of 30.5% in 2005. Aggregate data for 2005 was not available.

Distribution of Small Business Loans by Geographic Income Level								
2004								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	37	10.5%	12,192	12.4%	12,308	7.0%	377,372	6.6%
Moderate	93	26.3%	29,311	29.7%	34,990	20.0%	1,041,917	18.2%
Middle	100	28.3%	26,298	26.7%	41,008	23.4%	1,144,994	20.0%
Upper	122	34.6%	30,515	30.9%	84,656	48.3%	3,030,300	52.9%
N/A	1	0.3%	300	0.3%	2,225	1.3%	132,629	2.3%
<b>Total</b>	<b>353</b>	<b>100.0%</b>	<b>98,616</b>	<b>100.0%</b>	<b>175,187</b>	<b>100.0%</b>	<b>5,727,212</b>	<b>100.0%</b>
2005								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	30	11.3%	9,150	11.8%				
Moderate	67	25.3%	20,570	26.5%				
Middle	71	26.8%	19,082	24.6%				
Upper	96	36.2%	28,612	36.9%				
N/A	1	0.4%	200	0.3%				
<b>Total</b>	<b>265</b>	<b>100.0%</b>	<b>77,614</b>	<b>100.0%</b>				

### Borrower Characteristics – High Satisfactory

Nara’ small business lending distribution based on borrower characteristics reflects good penetration among businesses of different sizes. In 2004, Nara extended 195 (55.2%) small business loans totaling \$57.5 million (58.3%) to businesses with annual revenues of \$1 million or under. Although these ratios were below the percentage of all businesses in the assessment area with revenues at this level, they were significantly higher than the

39.3% by number and dollar volume of small business loans extended by the aggregate to similar-sized businesses. Nara did not sustain this level of performance in 2005, during which Nara made 130 (49.1%) small business loans totaling \$37.2 million (47.9%) to businesses with revenues of \$1 million or under. Aggregate 2005 data was unavailable for comparison.

The following chart provides a summary of Nara' small business lending distribution during the evaluation period based on the revenue size of the business.

Distribution of Small Business Loans by Business Revenue Size								
Revenue Size	2004							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
\$1million or less	195	55.2	57,525	58.3	68,782	39.3	2,252,161	39.3
Over \$1 million	140	39.7	37,733	38.3	0	0.0	0	0.0
No Revenue Info	18	5.1	3,358	3.4	0	0.0	0	0.0
<b>Total</b>	<b>353</b>	<b>100.0</b>	<b>98,616</b>	<b>100.0</b>	<b>175,187</b>	<b>100.0</b>	<b>5,727,212</b>	<b>100.0</b>
Revenue Size	2005							
	Bank				Aggregate			
	#	%	\$000	%				
\$1million or less	130	49.1	37,197	47.9				
Over \$1 million	116	43.8	37,866	48.8				
No Revenue Info	19	7.2	2,551	3.3				
<b>Total</b>	<b>265</b>	<b>100.0</b>	<b>77,614</b>	<b>100.0</b>				

### Community Development Loans – High Satisfactory

Nara has a relatively high level of community development loans with approximately \$2.8 million in loan commitments originated during the evaluation period. These loans were used to fund ventures, which help revitalize LMI neighborhoods, provide affordable housing and promote economic development.

The following is a brief description of Nara's community development loans during the evaluation period,

- **F \$ Equities** – In 2005, Nara had a \$5 million participation in a \$7 million loan to this borrower, of which only \$2 million would actually be used towards the renovation of a vacant warehouse located in a moderate income neighborhood of the Bronx. The completion of this project will create many jobs to low-skilled workers within the community. Nara's share in the project is approximately \$1.4 million.
- **167-168 Third Avenue LLC** – In 2005, Nara extended to this borrower a \$2 million commitment, of which \$815 thousand would be used to renovate and convert two 5-story buildings into a retail shopping center. This project is located in a low-income area of the Bronx, known as the Morrisania area, which has been approved for rezoning by New York City's Department of City Planning to encourage new residential and

commercial development necessary in the revitalization and stabilization of the area.

- **Neighborhood Housing Services of New York City (NHS)** – In 2005, Nara extended a \$550 thousand line of credit to this organization to be used for providing affordable home financing to LMI borrowers. NHS is a not-for-profit intermediary that creates and preserves affordable housing and promotes increased investment in underserved and declining New York City neighborhoods through a broad range of lending, development/rehabilitation, and homebuyer education and counseling services.

### **Flexible and Innovative Lending – High Satisfactory**

Nara uses flexible and innovative lending products. Nara is a participating lender in the Small Business Administration (“SBA”) guaranteed loan program. During the evaluation period, Nara originated 71 SBA loans totaling \$25.9 million, mostly consisting of SBA 7(a) and SBA Express loans. Additionally, Nara has developed the “Simple Loan/Line of Credit” facility to provide start-up capital for small businesses. This product, which features flexible underwriting guidelines and less rigorous documentation requirements, generated a volume of 91 loans totaling \$7.6 million during the evaluation period.

### **II. Investment Test: - High Satisfactory**

Nara has a significant level of community development investments. At this evaluation, qualified investments including grants of \$66 thousand totaled nearly \$3.1 million, all of which represents new money. While the level of qualified investments is relatively high, the investments are neither innovative nor complex.

Nara’s qualified investments include the following:

**Mortgage-backed Securities** – In 2005, Nara purchased \$1.8 million of mortgage-backed securities, which consisted of nine mortgage loans made to LMI borrowers within its assessment area.

**CRA Qualified Investment Fund** – In 2005, Nara invested \$4 million in this fund, of which \$1.2 million was allocated to a Fannie Mae mortgage pool which finances a Low Income Housing Tax Credit property in New York City, with 100% of the units set aside for LMI families.

### **III. Service Test: - High Satisfactory**

#### **Retail Banking Services: High Satisfactory**

*Accessibility of Delivery Systems:* Delivery systems are accessible to Nara’s geographies and individuals of different income levels in its assessment area. There are deposit-taking

automated teller machines in all of its four New York branches, banking by phone, banking by mail and internet banking services.

*Changes in Branch Locations:* Nara's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems. In 2005, Nara opened a new branch in Bayside, Queens. In addition to this new branch, Nara has three other full-service branches, two of which are also located in Queens County and one in New York County. One of the branches is located in a moderate-income geography, three branches are located in middle-income tracts of which, one is adjacent to moderate-income geographies.

*Reasonableness of Business Hours and Services:* Nara's services do not vary in a way that inconveniences any particular portion of its assessment area, particularly LMI geographies and/or LMI individuals.

Nara's New York branches offer convenient banking hours, which include extended Friday hours at one branch and regular Saturday half-day service at all the four branches.

Nara provides a wide array of banking products for both business and individual customers, which include a type of basic banking account offered only to its New York customers. This account, which was structured specifically to meet the needs of LMI individuals, requires a minimum opening deposit of only \$25 and features a no-balance requirement. Additionally, payroll check-cashing services are offered at one branch for hourly-waged workers without an account relationship with Nara. Bilingual services in Korean and English are offered at all New York branches, and a Spanish-speaking staff is available at one branch to accommodate the needs of the Hispanic community in the area.

### **Community Development Services: Low Satisfactory**

Nara provides an adequate level of community development services. Nara's officers regularly perform an array of community development activities such as providing financial literacy training, conducting small business seminars and sharing their financial expertise with community development organizations. Listed below are some examples of these activities:

- Three senior vice presidents, two first vice presidents and four loan officers conducted financial literacy training programs for students from LMI families in the assessment area who were recipients of college scholarships from the Nara Scholarship Foundation, a non-profit organization founded by Nara. This training is provided annually.
- A branch manager and an operations manager of Nara participated in the community outreach efforts of ACCION New York by conducting financial seminars for small business owners in partnership with this non-profit organization. The aforementioned employees participated in these monthly sessions, several of which were conducted on-site at Nara's Jackson Heights branch.

- A Nara senior vice president works with the New York Business Development Corporation (NYBDC), participating in training sessions for small and medium-sized businesses where she shares her expertise and knowledge related to SBA 504 lending.
- Several Nara employees conduct monthly financial literacy training for LMI individuals served by the Korean American Family Service Center, a non-profit organization that provides shelter to victims of abuse in the New York tri-state area.
- A Nara first vice president serves as a member of the Financial Board of a local church, providing financial expertise in the management of the church's budget. The church is actively involved in the distribution of food to LMI and homeless families in the Queens and Manhattan areas.

#### **IV. Discrimination or Other Illegal Practices**

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

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

##### **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.

#### **V. Process Factors**

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

Nara ascertains community credit needs primarily through association with various community groups and through attendance at community events and seminars. The New York CRA coordinator regularly attends seminars and workshops conducted by various organizations such as the Queens Small Business Event and the Supporting Housing Network. Branch managers and other senior management are actively involved with local community groups, non-profit organizations and the Chamber of Commerce and seek opportunities to assist the community through their business contacts. Nara's CRA officer keeps abreast of opportunities through contact with other banks.

Nara's interaction with other banks and the Chamber of Commerce resulted to the creation of Simple Loan Program for small business owners. This program features flexible underwriting with low documentation requirements and a quick approval process based on a credit scoring system.

**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.**

Nara actively markets and promotes its services to members of the community through advertisements in local newspapers and radio in English, Korean and Spanish. It promotes the bank's products at hospitals and schools. Nara participates as a sponsor at many local community events, often during non-business hours, to make members of the community aware of the credit services offered by Nara.

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

The board of directors has responsibility for establishing Nara's CRA policies and is involved in the review and approval of CRA plan at least annually. Nara has a designated CRA officer, who is responsible for the implementation of these policies and the development of the CRA plan. The CRA officer reports to the board on a semi-annual basis at which time, Nara's CRA performance/activities are reviewed and discussed by the board.

**VI. 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 noted.

## GLOSSARY

### Aggregate

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

### Community Development

The term “community development” is defined to mean:

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

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

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

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

- 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.

### **Demand-Adjusted Penetration Rate**

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area. Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

### **Demand-Adjusted Penetration Ratio**

A ratio that depicts geographic penetration of loans by comparing demand-adjusted lending in LMI areas with non-LMI areas. Mathematically, it is arrived at by dividing the demand-adjusted penetration rate in non-LMI areas into the demand-adjusted penetration rate in LMI areas and then expressed as a percentage.

A ratio of 100% means that the institution (or aggregate as appropriate) made an equal number of loans proportionally in LMI and non-LMI areas. Less than 100 percent would indicate less lending in LMI areas on the same basis compared to non-LMI areas, whereas over 100 percent would indicate a greater level of lending in LMI areas versus non-LMI areas.

### **Home Mortgage Disclosure Act (“HMDA”)**

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

### **Loans to Small Businesses**

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

### **Low or Moderate Income (“LMI”) Geographies**

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 US Census, the median family income is less than 80% of the area median family income. In the case of tracked 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 tracked areas that are not part of a MSA or PMSA, the area median family income would be the statewide nonmetropolitan median family income.

### **LMI Borrowers**

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

### **LMI Individuals/Persons**

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

### **Small Business Loans**

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