



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, 2006

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

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

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of the New York operations of Israel Discount Bank of New York (“IDBNY”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2006.

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 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

IDBNY is rated "1," indicating an outstanding record of helping to meet community credit needs. The rating is based on the following factors:

- As of December 31, 2006, IDBNY's community development portfolio totaled \$78.4 million, with \$63.7 million in new money. The portfolio is comprised of \$54.7 million in community development loans and \$23.7 million in qualified investments including grants.
- During the evaluation period, IDBNY's assets increased 4.8% while total community development activities decreased 11.4%. However, the volume of IDBNY's community development activities remained excellent in relation to its size and assessment area.
- IDBNY's officers participated in various activities of community organizations that promote community development and economic revitalization.

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 1962, IDBNY is a wholly owned subsidiary of Discount Bancorp, Inc., a Delaware holding company. In 2000, Discount Bancorp, Inc. was formed to hold the shares of Israel Discount Bank, Limited ("IDB"). IDB is a multi-national banking company headquartered in Tel Aviv, Israel.

As of December 31, 2006, IDBNY reported total assets of \$8.8 billion, comprised primarily of \$4.3 billion (49.3%) securities and \$3.1 billion (36.4%) loans. Domestic deposits totaled \$5.0 billion (56.2%), of which \$1.3 billion (14.3%) were core deposits. Per the FDIC deposit data as of June 30 2006, IDBNY generated 89.0% of its domestic deposits in New York State.

IDBNY is a full service wholesale commercial bank that focuses primarily on providing domestic and international banking services to its U.S. and foreign clientele. Its broad range of products and services includes commercial and personal checking accounts, basic banking, money market accounts, time deposits and foreign currency exchange. The type of credit available includes asset-based lending, commercial real estate, middle-market lending, factoring, import/export trade finance and credit cards, as well as equipment through its subsidiary, IDB Leasing.

IDBNY is not generally in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers, except as an accommodation to existing clients. Accordingly, the FDIC designated IDBNY a wholesale institution for CRA purposes in 1997.

IDBNY's principal office is located at 511 Fifth Avenue and its branch at 1350 Broadway, New York, NY. In addition, IDBNY operates two branches in California, three in Florida, one in Cayman Island and representative offices in London, Paris and Santiago.

IDBNY's wholly owned subsidiaries consist of Discount Bank Latin America headquartered in Montevideo, Uruguay, IDB Leasing, Inc, an equipment leasing company, and its vendor-driven leasing division, Fleetwood Financial; IDB Capital Corp., IDB Capital, a broker-dealer; IDBNY Realty, Inc., a Real Estate Investment Trust ("REIT") incorporated in New York State; and IDBNY Realty (Delaware), a REIT holding company. IDB Factors, with offices in New York City and Los Angeles, is the factoring division of IDBNY.

Assessment Area:

IDBNY's assessment area includes the five boroughs of New York City, which are Kings, Queens, New York, Bronx and Richmond counties. The counties are located in Metropolitan Division 35644. Based on the 2000 U.S. Census data, the area consists of 2,217 census tracts, of which 939 or 42.4% are LMI census tracts and 663 or 29.9% are moderate- income census tracts.

The following table depicts the assessment area's distribution of census tracts

Distribution of Census Tracts within the Assessment Area*								
County	Low	Moderate	Middle	Upper	N/A	Total	LMI	
	#	#	#	#	#	#	#	%
Kings	119	297	235	117	15	783	416	53.1
Queens	12	148	310	185	18	673	160	23.8
New York	60	59	24	144	9	296	119	40.2
Bronx	132	98	65	46	14	355	230	64.8
Richmond	3	11	29	65	2	110	14	12.7
Total	326	613	663	557	58	2217	939	42.4

* Based on 2000 Census

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

Details of Assessment Area:

Population: According to the 2000 U.S. Census Bureau, the assessment area had a population of 8.0 million. About 11.7% of the population was over the age of 65 and 21.6% was under the age of 16.

Families/Households: The assessment area contained 1.9 million families including 574,767 low-income, 312,068 moderate-income, 318,661 middle-income and 664,313 upper-income families. Of the 3.0 million households in the assessment area 595,256 (19.7%) lived below the poverty level. Of the 886,885 LMI families living in the assessment area 588,258 (66.3%) reside in LMI geographies.

Income: According to the 2000 Census, the median family income within the assessment area was \$48,158. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income for the area was \$57,650 in 2005 and \$59,200 in 2006.

Housing: There were 3.2 million housing units within the assessment area, including 1.3 million (39.2%) one- to four-family units and 1.9 million (60.8%) multi-family units. A majority (68.8%) of the area's housing units were rental units, while only 28.5% were owner occupied units. The median housing price in the assessment area was \$240,909. Within the assessment area, 3.3% of owner-occupied housing units were in low income areas, 17.3% were in moderate-income areas, 34.4% were in middle-income areas and 45.0% were located in upper-income areas.

Businesses: There were 543,778 businesses in the assessment area. Of these 66.1% were businesses with revenues of less or equal to \$1 million, 6.8% had revenues of more than \$1 million while 27.1% did not report revenue; 91.3% of the businesses in the assessment area operated from a single location. The largest businesses were in the service industry 38.3%, followed by retail trade 17.6% and finance, insurance and real estate 9.5%. Non-classified establishments were 15.7% of the businesses in the

assessment area.

Unemployment Rates: In 2005, the average unemployment rates for the Bronx, Kings, Queens and Richmond counties were higher than the average for the State of New York. In 2006, the average unemployment rates for the Bronx, and Kings counties remained higher than the average for New York State while the average for Queens, Richmond and New York counties were below the State's average.

The following table shows details of unemployment data in the assessment area according to the U.S. Department of Labor, Bureau of Statistics:

	State-wide and Counties Unemployment Rate						
	New York State	New York County	New York City	Bronx County	Kings County	Queens County	Richmond County
2006	4.5	4.2	4.9	6.5	5.3	4.4	4.4
2005	5.0	5.0	5.7	7.5	6.2	5.2	5.2

PERFORMANCE TEST AND ASSESSMENT FACTORS

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

The evaluation period covers calendar years 2005 and 2006.

I. Community Development Test

IDBNY continued to display an excellent responsiveness to the community needs of its assessment area. It participates in community development initiatives primarily by working with intermediaries that serve its assessment area.

As of December 31, 2006, IDBNY's community development portfolio totaled \$78.4 million, with \$62.7 million as new money. The total community development portfolio decreased 11.4% since the prior evaluation. The decrease was primarily due to decrease in the dollar amount of the community development loans, which was partially offset by the increase in qualified investments during this evaluation. During the same period, IDBNY's assets increased 4.8%, to \$8.8 billion from \$8.4 billion while community development activities decreased 11.4%, from \$88.5 million. The total community development portfolio is comprised of community development loans (\$54.8million), and qualified investments, including grants (\$23.7 million).

The composition of IDBNY's total community development loans within its assessment area is shown below:

Community Development Loans as of December 31, 2006					
Type	No. of Comm'ts	Comm't Amt (in \$000's)	Percentage	O/S (in \$000's)	Percentage
Affordable Housing	3	3,343	6.1	3,196	8.6
Community Service	-	-	-	-	-
Economic Development	13	43,696	79.8	32,786	88.3
Revitalization/ Stabilization	3	7,711	14.1	1,141	3.1
Total	19	54,750	100.0	37,123	100.0

Of the total community development loans, 13 loans for \$41.0 million represented new commitments, of which six loans represented new relationships with the institution.

New commitments with outstanding balances are broken down in the following community development categories:

New Loan Commitments and Outstanding (1/1/05 to 12/31/06)					
Type	No. of Comm'ts	Comm't Amt (in \$000's)	Percentage	O/S (in \$000's)	Percentage
Affordable Housing	1	2,500	6.1	2,353	10.1
Community Service	-	-	-	-	-
Economic Develop.	10	31,749	77.3	20,840	89.0
Revitalization/Stabilization	2	6,775	16.6	205	0.9
Total	13	41,024	100.0	23,398	100.0

In addition to the new community development loans, IDBNY made qualified investments including grants totaling \$22.7 million during the evaluation period.

Community Development Lending

As of December 31, 2006, IDBNY's community development loans totaled \$54.8 million, with \$37.1 million outstanding. IDBNY's community development lending activities were mostly concentrated in economic development projects, which accounted for 79.8% or \$43.7 million of total community development loans.

The following is a brief description of IDBNY's community development lending:

Affordable Housing

- IDBNY renewed a \$2.5 million commitment in March 2005. The loan was used for the construction of low-income housing in Manhattan under the New York City Inclusionary Housing Program. Because of this program, the principals will receive an additional 30,000 square feet of air rights for the Grand Beekman condominium project, constructed on the adjacent property (East 51st and First Avenue). The outstanding balance of the loan was \$2.4 million as of December 31, 2006.
- In November 2002, IDBNY approved a \$3 million loan for the acquisition of a bankrupt hotel located near John F. Kennedy Airport. The hotel will be converted into a Tier 2 Homeless Shelter and be leased to the Salvation Army. The Department of Homeless Services ("DHS") is responsible for the payment of the Salvation Army's rent and other

operating costs. The loan has an outstanding balance of \$650 thousand as of December 31, 2006.

- In June 2003, IDB NY renewed its \$500 thousand share in a \$7.5 million secured revolving credit and term loan facility for the Neighborhood Housing Services of New York City ("NHS"). This facility has provided funding for the acquisition, construction or rehabilitation of multi-family and mixed-use apartment buildings in LMI neighborhoods of New York City. NHS is a citywide non-profit community revitalization organization that works to increase investment in declining neighborhoods, support neighborhood self-reliance and promote affordable housing throughout New York City. As of December 2006, the outstanding balance on this facility was \$193 thousand.

Economic Development

- In June 2006, IDB NY committed \$11.5 million to Central Suffolk Hospital for building six new operating rooms and renovating the existing emergency room. Hospital services include beds allocated to prison care for the Suffolk County Jail in Riverhead, and providing services to indigent patients reimbursed by the Health Care Reform Act (HCRA) bad debt and charity pools. The outstanding balance of this loan was \$11.5 million as of December 12, 2006.
- In May 2006, IDB NY committed \$1.5 million to a corporation licensed and regulated by Small Business Administration as a Small Business Investment Company. The purpose of the line was for working capital for the corporation.
- In November 2006, IDB NY committed \$500 thousand to an equipment leasing company for the construction of a new office located at 105 Chambers Street, New York, New York. The building location has been designated a "terrorist disaster" area since September 11, 2001. As of December 31, 2006, the outstanding balance of the loan was \$500 thousand.
- In December 2005, IDB NY renewed a line of credit for \$5.8 million to finance the purchase of a 280,000 square foot, 10-story industrial/commercial building located at 68 Jay Street in Brooklyn. The building provides affordable commercial space to a number of small businesses such as contractors, electricians, carpenters, elevator repair companies and environmental firms. Currently, a number of small businesses occupy the building. There was no outstanding balance as of December 31, 2006.
- In August 2006, IDB NY renewed a line of credit for \$1.3 million secured by New York City taxi medallions. The purpose of the loan is to provide junior lien loans mainly to individuals and companies that do not have sufficient credit to borrow directly from a bank. The borrower made many of the medallion loans to Asian and Middle Eastern minorities. The full amount of the loan is outstanding as of December 31, 2006.

Revitalization and Stabilization

- In February 2006, IDBNY renewed and increased a line of credit to a borrower to \$6.5 million from \$5 million originally committed in May 2004. The credit line enabled the subject borrower to finance eight acres of vacant land located under the Manhattan bridge overpass section of Brooklyn. The land is adjacent to a 6-story, vacant industrial building, which is being converted into residential units. The conversion of the vacant building to housing and the future development of the vacant land will revitalize the neighborhood.
- In July 31, 2006, IDBNY renewed and amended a credit line to \$275 thousand with an extended maturity date to Community Preservation Corporation (“CPC”). CPC is a non-profit organization, which utilizes bank loans for construction and/or renovation of residential and/or mixed used properties in low and moderate-income areas in New York City. The extension provided the principal necessary time for its remaining borrowers to complete construction/renovation, receive the necessary government approval/signoffs and complete the financing of takeout permanent loans.
- As of December 31, 2006, IDBNY had an outstanding balance of \$936 thousand on \$8.9 million loan originally approved in January 2003, to purchase a 68,000 square foot property located at 600 W. 181st Street in Washington Heights, Manhattan. The property is located in a moderate- income census tract. The building houses several retail establishments, which service the immediate neighborhood and employs a number of residents from the community.

Qualified Investments

As of December 31, 2006, IDBNY’s qualified investments, including grants totaled \$23.7 million, of which \$22.7million as new money. IDBNY’s investment portfolio include eligible mortgage-backed securities (“MBS”) issued by Federal Home Mortgage Association (“FNMA”) known as Fannie Mae and Federal Home Loan Mortgage Corporation (“FHLMC”), equity investments in Small Business Investment Companies (“SBIC”), certificates of deposit placed with a local credit union and a community bank, which actively support affordable housing, and economic developments within the IDBNY’s assessment area.

The chart below reflects the type of IDBNY's qualified investment portfolio as of December 31, 2006:

Qualified Investments including Grants as of December 31, 2006					
Type	No. of Commitments	Commitments Amt (in \$000's)	Percentage	New Money (in \$000's)	Percentage
Affordable Housing	4	\$22,464	94.8	\$ 22,349	98.4
Economic Development	2	\$ 1,088	4.6	\$ 284	1.3
Revitalization & Stabilization	4	\$ 77	0.3	13	0.3
Community Service	15	62		62	0.0
Total	25	\$ 23,691	100.0	\$ 22,708	100.0

IDBNY's qualified investments are briefly described as follows:

- As of December 31, 2006, IDBNY's investments in mortgage-backed securities issued by FNMA and FHLMC totaled \$21.4 million, all of which constituted new money. The collateral for the bonds are residential mortgages extended to LMI individuals residing in LMI census tracts within its assessment area.
- IDBNY committed \$500 thousand to the New York Emerging Neighborhood Fund, L.P. The purpose of the fund was to acquire, invest, manage, improve and dispose of a diversified portfolio of real estate investments in LMI neighborhoods of New York City consisting primarily of residential and mixed-used properties. IDBNY has funded \$64 thousand of this commitment.
- IDBNY has a \$3 million commitment in equity investments to Meridian Venture Partners II, L.P., an SBIC licensed by the SBA. The fund makes equity investments in small- to medium-sized businesses located in the mid-Atlantic region. IDBNY's outstanding balance on this investment as of December 31, 2006 was \$279 thousand.
- IDBNY committed a \$2 million equity investment in Navigator Growth Partners, L.P., an SBIC licensed by the SBA. The fund focuses on providing growth and acquisition equity to privately held companies located primarily in northeastern United States. IDBNY funded \$809 thousand during evaluation period.
- IDBNY has a \$100 thousand on deposit with the Community Capital Bank ("CCB"). CCB is a community development financial institution located in Brooklyn that uses its deposits to develop housing for LMI families, promote job creation through small

business lending and support businesses that provide beneficial products or services to the local community.

- IDBNY maintains a \$15 thousand term deposit at the Neighborhood Trust Credit Union. The credit union is located in the Washington Heights section of upper-Manhattan and is a Community Development Credit Union (CDCU). CDCUs are non-profit credit unions owned by residents of low-income communities; they make loans for the purchase and rehabilitation of housing and lend to small-and minority-owned businesses.

Grants

During the evaluation period, IDBNY made numerous grants to various non-profit organizations totaling \$1 million. These organizations promote affordable housing, community services, revitalization, educational and vocational programs in LMI communities within the five boroughs.

The following is a brief description of the major grants made by IDBNY during the evaluation period:

- IDBNY has been a member of the FHLBNY for the past seven years. FHLBNY funds a federally mandated Affordable Housing Program within IDBNY's assessment area. In 2005, the FHLBNY contributed \$25.9 million from its prior-year earnings to qualifying projects. This total included \$9.4 million awarded to 38 projects in New York State that created 1,304 housing units. IDBNY's share in this fund for 2005 is \$517.9 thousand. In 2006, the FHLBNY contributed \$32 million from its prior-year's earnings to qualifying projects, including \$15.9 million awarded to 52 projects in New York State to create 2,131 housing units. IDBNY's share in the fund for 2006 was \$412 thousand. As of December 31, 2006, IDBNY's total share amounted to \$930 thousand.
- IDBNY contributed \$11 thousand to Big Brothers – Big Sisters of New York. This organization is involved in mentoring at-risk children of low-income, single-parent families in New York City and provides these youngsters with desperately needed one-on-one attention.
- During the evaluation period, IDBNY contributed \$7 thousand to the American Ort Federation ("ORT"). The ORT organization provides vocational and technical training for underprivileged and recently arrived immigrants through courses held at an accredited institute in Queens.
- IDBNY contributed \$7 thousand to the Interest on Lawyer Account Fund ("IOLA"). IDBNY opened many IOLA accounts as interest-bearing deposit accounts. IOLA established these accounts under a New York State program to generate funding to provide free civil legal assistance to low-income persons.
- IDBNY contributed \$6 thousand to Greater Jamaica Development Corporation

("GJDC"), a not-for-profit organization. The purpose of GJDC was to transform the older downtown Jamaica, Queens's area into a dynamic multi-purpose center of business, transportation, government, culture and higher education. GJDC pursued many initiatives, which encouraged small businesses to locate within the area and undertake projects that provide amenities, services and cultural programs to make downtown Jamaica more attractive and hospitable.

- IDBNY contributed \$6 thousand to Neighborhood Housing Services of New York City, Inc. ("NHS"). NHS is a citywide, not-for-profit, community revitalization organization that works to increase investment in declining neighborhoods. NHS seeks to create, preserve and promote affordable housing in New York City neighborhoods.

Community Development Services

IDBNY's officers participated in organizations that promote community development and economic revitalization.

The following paragraphs provide brief descriptions of IDBNY's major community development services:

- *LaGuardia Community College's Division of Cooperative Education*

IDBNY has been involved in an internship program at LaGuardia Community College's Division of Cooperative Education. This program gives low-income students an opportunity to earn money to finance their education, while they gain hands-on experience in the banking industry. In 2005 and 2006, IDBNY had 18 students under this program and paid a total of \$118 thousand to these students.

- *Inner-City Scholarship Fund*

A director of IDBNY is a trustee and Vice Chairman of the Executive Council of the Inner-City Scholarship Fund. The fund helps to provide quality education for thousands of economically disadvantaged LMI children who attend 114 inner city schools, including the South Bronx, Harlem the Lower East Side. A majority of these students' families are at or below the poverty level and the Fund covers the gap between the cost of tuition and the actual cost of education.

- *Grand Central Partnership*

IDBNY has continued to be a member of the Grand Central Partnership and contributed to the partnership's operation by means of a pass-through provision in its lease. The partnership oversees the Grand Central Business Improvement District, which encompasses 52 blocks surrounding Grand Central Terminal. The partnership provides supplementary sanitation security and homeless outreach services throughout the business improvement district.

- *34th Street Business Improvement District*

IDBNY continued its membership with this organization because of its continuous presence in the district through its branch at Broadway and 35th Street. The organization is similar to the Grand Central Partnership in goals and development and service programs.

II. Discrimination or Other Illegal Practices

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

During the evaluation period, the examiner did not note any practices intended to discourage applications for the types of credit offered by the institution.

Evidence of prohibited discriminatory or other illegal credit practices

There is no evidence of prohibited discriminatory or other illegal credit practices. The most recent regulatory compliance examination report concurrent with this assessment, indicates a satisfactory performance in terms of adherence to antidiscrimination and other applicable laws and regulations.

III. Other Factors

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

IDBNY is a wholesale banking institution and does not offer direct service to the public. It ascertains the credit needs of its community through ongoing involvement with charitable organizations and various community development groups such as Community Preservation Corporation, New York Habitat for Humanity, Congress of Racial Equality and other non-profit organizations.

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

IDBNY uses various pamphlets, journals and considerable radio advertisements to market its services to the public. Additionally, IDBNY conducted loan "blitzes" during which, IDBNY's lending staff performed cold-call visits to various targeted businesses, primarily located within the New York metropolitan area.

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 plays an active role in formulating IDBNY's CRA policies. The board reviews and approves the CRA statement annually. During its monthly meeting, the board reviews the CRA activities to ascertain whether IDBNY's management continues to look for CRA projects suitable for its loan portfolio. The board also appointed a CRA Officer to oversee the compliance of CRA.

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

None noted.

GLOSSARY

Community Development

The term “community development” is defined to mean:

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

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

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

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

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;

- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

A "community development service" is defined as a service that has as its *primary purpose* community development, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM "Training Machines" available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and

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

Low or Moderate Income (“LMI”) Geographies

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

LMI Individuals/Persons

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

Wholesale Institution

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