



STATE OF NEW YORK
BANKING DEPARTMENT
ONE STATE STREET
NEW YORK, NY 10004

**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, 2007

Institution: Inter Audi Bank
19 East 54th Street
New York, NY 10022

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 Intermediary Bank (“IB”) 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, 2007.

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

IB is rated "2," indicating a satisfactory record of helping to meet community credit needs. This rating represents a downgrade from the prior evaluation and is based on the following:

- IB's level of community development loans, qualified investments and grants decreased by 62.1% from \$9.9 million at the prior evaluation to \$3.8 million. Approximately \$3.3 million or 86.7% of the total portfolio represents new money.
- The level of community development services that IB provided during the evaluation period was minimal.

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 1983, IB is a commercial bank based in New York and Florida. As of December 31, 2007, IB reported total assets of \$1.3 billion including loans of \$312.1 million (24.46%). Domestic-based deposits totaled \$1.0 billion. New York is the primary source of deposits for the bank. Per the Federal Deposit Insurance Corporation ("FDIC") Summary of Deposits report dated as of June 30, 2007, 72.4% of its deposits were generated in New York.

IB is a wholesale commercial bank, which focuses primarily on short-term, fully secured business and commercial loans. Its customer base is mainly Arab-Lebanese American businesses in the New York metropolitan area and elsewhere in the United States.

IB is not in the business of originating or purchasing residential mortgages, housing rehabilitation or home improvement loans except as an accommodation to its existing business clients. Accordingly, in August 1997, FDIC granted the bank designation as a wholesale institution for purposes of its evaluation under the CRA.

In New York State, IB has one office located in midtown Manhattan. Since the last Performance Evaluation, the bank has not opened or closed any branch in New York State.

There were no financial or legal impediments that would impact the bank's ability to help meet community credit needs.

Assessment Area:

The bank's assessment area includes the following five counties: Bronx, New York, Kings, Queens and Richmond, which are part of Metropolitan Division ("MD 35644"). This area consists of 2,217 census tracts, of which 939 or 42.4% are low and moderate-income ("LMI") tracts.

The assessment area appears reasonable based upon the bank's location and its designation as a wholesale institution. There is no evidence that LMI areas are arbitrarily excluded.

Assessment Area Demographic:

Population: According to the 2000 US Census, total population of the assessment area was 8 million, of which 937.9 thousand (11.7%) were over the age of 65 and 1.7 million (21.6%) were under the age of 16.

Housing Characteristics: According to the 2000 U.S. Census, there were 3.2 million housing units in the assessment area, of which 1.3 million (39.2%) were 1 to 4 family units and 1.9 million (60.8%) were multifamily units. Of the total number of housing units, 912.1

thousand (28.5%) were owner-occupied, 2.1 million (65.9%) were rental-occupied, and 179.3 thousand (5.6%) were vacant. The median age of housing was 40 years and the median home value was \$241 thousand.

Business Demographic Data: According to the 2007 Business Demographic Data report, there were 568 thousand businesses in New York City. Service providers were the largest industry consisting of 216 thousand (38.03%) businesses followed by retail trade industry with 99.5 thousand (17.53%) businesses and finance, insurance and real estate with 55 thousand (9.7%) businesses.

Unemployment: According to the New York State Department of Labor, New York City's average unemployment rates of 5% in 2006 and 5% in 2007 were higher than the average unemployment rates of 4.5% and 4.6%, respectively for New York State.

PERFORMANCE TEST AND ASSESSMENT FACTORS

The Banking Department evaluates the CRA performance of wholesale banks pursuant to the “community development test”, as provided for in Section 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 these investments are not routinely provided by private investors; and (3) the banking institution’s responsiveness to credit and community development needs.

This Performance Evaluation covers the period from January 1, 2005 to December 31, 2007.

I. Community Development Test

IB participates in community development initiatives primarily by working with intermediaries that serve its assessment area.

As of December 31, 2007, IB’s community development loans and qualified investments within the assessment area totaled approximately \$3.8 million, of which \$3.3 million or 87%, were new money. IB’s community development portfolio reflected a decrease of \$6.2 million or 63% since the previous performance evaluation, while its assets increased by 38%, to \$1.3 billion.

IB’s community development loans and investments were comprised of affordable housing, community services and economic development:

Community Development Portfolio						
Type	Commitments			New Money		
	# of Comm’ts	Comm’t Amount (\$000’s)	%	# of Comm’ts	Comm’t Amount (\$000’s)	%
Affordable Housing	8	3,646.4	97.0	7	3,147.4	96.5
Community Service	5	13.0	0.3	5	13.0	0.4
Economic Development	1	100.0	2.7	1	100.0	3.1
Total	14	3,759.4	100.0	13	3,260.4	100.0

IB’s community development activities demonstrate adequate responsiveness to the credit and community development needs of its assessment area.

- **Community Development Lending**

During the evaluation period, IB made a total of \$3.0 million in community development loans within its assessment area..

A \$3 million commitment to Community Preservation Corporation (“CPC”) was approved in 2007. CPC is a non-profit mortgage lender with the mission to stabilize, strengthen and sustain low- and moderate-income communities in New York and New Jersey.

- **Qualified Investments**

As of December 31, 2007, IB had qualified investments, including grants, totaling \$253,000 all of which were new money.

The following is a brief description of these investments and grants:

- IB maintained a \$100,000 deposit with Carver Federal Savings Bank (“Carver”). This amount was deposited with Community Capital Bank before the merger of the two banks. Carver is (and CCB was), a registered Community Development Financial Institution. It serves low- and moderate-income communities whose residents, businesses and institutions had limited access to mainstream financial services. Carver uses its deposits to expand wealth and enhance opportunities in the communities it serves.
- During the evaluation period, IB committed to a \$98,000 investment to support the Federal Home Loan Bank of New York Affordable Housing Program. The Affordable Housing Program provides subsidies to assist financial institutions in supporting the creation and preservation of housing for low- and moderate-income families and individuals.
- IB committed to a \$41,000 grant to support Neighborhood Housing Services of NYC (“NHS”). NHS is a citywide non-profit organization dedicated to revitalizing underserved neighborhoods in New York City. Its mission is to create and preserve affordable housing. In addition, it provides opportunities for homeownership education, financial assistance and community leadership.
- During the evaluation period, IB committed to a \$4,000 grant to support Providence House. It runs programs which provide transitional housing and support to homeless and abused women and their children in Brooklyn and Queens

- **Community Development Services**

IB provided a minimal level of community development services during the evaluation period, which were limited to the following:

- *Neighborhood Housing Services of NYC (“NHS”) – During the evaluation period, IB’s president met with the director of NHS to discuss the organization’s financial literacy initiatives and provide counsel on proposed fundraising activities several times.*
- *Financial Advocacy Teacher Training Program – An employee of IB conducted a two-day financial class with Seniors of Metro North and their family and friends. The class focused on Credit Reporting, Credit Scores and Identity Theft. Metro North is located in an LMI census tract.*

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.

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

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance and fair lending examinations conducted concurrently with this evaluation indicated a satisfactory performance in terms of adherence to anti-discrimination or other applicable laws and regulations. There was no evidence of prohibited discriminatory or other illegal credit practices noted.

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.

IB ascertains the credit needs of its community through its contact with Neighborhood Housing Services of New York City. Its president and its CRA officer meet or correspond at least semi-annually with the director and staff of NHS.

IB has identified foreclosure prevention initiatives as a critical need in the community but did not indicate how these initiatives were determined.

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.

As a wholesale lender, IB does not market its credit services to the general public.

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 reviews a report on CRA activities at each meeting. The Board annually reviews and approves the CRA Policy and Strategic Plan, the CRA Statement, Notice, and Community Delineation. IB's President and CEO and other senior bank staff meet regularly with community organizations including NHS of NYC to discuss program development and to counsel on proposed fundraising activities.

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

None.

GLOSSARY

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.