



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2017

Institution: Bank of India New York
277 Park Avenue
New York, NY 10172

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 Department of Financial Services 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 Bank of India, New York (“BOINY”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2017.

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

Part 76 of the General Regulations of the Superintendent (“GRS”) implements Section 28-b and further requires that the 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 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 in meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

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

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall CRA Rating: "Needs to Improve"

The Department evaluated the Bank of India New York ("BOINY") according to the community development test for wholesale or limited purpose banking institutions pursuant to Section 76.11 of the GRS. The Department evaluated BOINY's performance from April 1, 2013 to December 31, 2017. BOINY is rated "Needs to Improve," or "3." This rating means BOINY needs to improve its record of meeting community credit needs.

This rating is based on the following factors:

Community Development Test: "Needs to Improve"

BOINY'S community development performance demonstrated a poor level of responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering BOINY's capacity and the need and availability of such opportunities for community development in its assessment area.

BOINY's community development loans and qualified investments totaled \$13.3 million for the evaluation period. This was an improvement over the \$6 million from the prior evaluation period, but still represented a ratio of annualized community development activities to average total assets of only 0.05%. As a result, BOINY's record of responding to community credit needs through community development activities remains poor.

Community Development Lending: "Needs to Improve"

During the evaluation period, BOINY originated \$6 million in new community development loans and had no outstanding loans from prior periods. BOINY's ratio of annualized community development loans to average total assets was 0.02%. This demonstrated a poor level of community development lending.

Qualified Investments: "Needs to Improve"

BOINY made \$6.9 million in new qualified investments during the evaluation period, including \$0.5 million in grants, and had \$0.4 million in qualified investments outstanding from the prior evaluation period, for a total of \$7.3 million. BOINY's ratio of annualized qualified investments to average total assets was 0.03%. This demonstrated a poor level of qualified investments.

Community Development Services: "Needs to Improve"

BOINY demonstrated a poor level of community development services over the course of the evaluation period.

Innovative Practices:

BOINY did not engage in any innovative or flexible community development practices.

Responsiveness to Credit and Community Development Needs:

BOINY'S community development performance demonstrated a poor level of responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering BOINY's capacity and the need and availability of such opportunities for community development in its assessment area.

This Evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York Banking Law and Part 76 of the GRS.

PERFORMANCE CONTEXT

Institution Profile

BOINY is a New York State licensed (1978) branch of the Bank of India, a foreign banking organization headquartered in Mumbai, India. BOINY is located at 277 Park Avenue, New York, NY. BOINY was designated as a wholesale institution on March 17, 1998 by the Federal Deposit Insurance Corporation (“FDIC”).

BOINY provides services to facilitate international trade financing between businesses located in the United States and India. Financing provided by BOINY to its US and India based consumers includes revolving lines-of-credit, syndicated loans, standby letters-of-credit, and short-term self-liquidating facilities. BOINY does not extend home mortgages, small business, small farm or consumer loans to retail consumers. Retail products are limited to certificates of deposit and checking accounts.

Per the Federal Financial Institutions Examination Council’s (“FFIEC”) “Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks” as of December 31, 2017, filed with the Federal Deposit Insurance Corporation (“FDIC”), BOINY reported total assets of \$6.5 billion, of which \$5.6 billion were net loans and lease financing receivables. It also reported total deposits of \$5.6 billion, resulting in a loan-to-deposit ratio of 100.0%. Net loans and leases represented 86.2% of total assets, of which 92.9% (\$5.2 billion) were loans to banks in foreign countries and 7.1% (\$392.6 million) were commercial and industrial loans, of which \$53.0 million were made to borrowers with U.S. addresses.

Per the latest available comparative deposit data as of June 30, 2017, BOINY had a market share of 0.41%, or \$5.2 billion in a market of \$1.3 trillion, ranking it 22nd among 111 deposit-taking institutions in BOINY’s assessment area.

The following is a summary of the Bank’s loan portfolio, based on BOINY’s December 31, 2013, 2014, 2015, 2016, and 2017 Reports of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks:

TOTAL GROSS LOANS OUTSTANDING										
Loan Type	12/31/2013		12/31/2014		12/31/2015		12/31/2016		12/31/2017	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Commercial & Industrial Loans	523,358	10.6	857,550	14.8	728,827	12.3	546,935	11.2	392,581	7.1
Commercial Mortgage Loans	3,410	0.1	3,176	0.1	2,866	0.0	1,735	0.0	1,561	0.0
Loans to other banks in foreign countries	4,394,312	89.3	4,930,272	85.1	5,187,267	87.6	4,340,197	88.8	5,170,359	92.9
Total Gross Loans	4,921,080	100.0	5,790,998	100.0	5,918,960	100.0	4,888,867	100.0	5,564,501	100.0

As illustrated in the above table, BOINY primarily extends loans to banks in foreign countries (92.9%). The level of these loans fluctuated only slightly over the course of the evaluation period.

Examiners did not find evidence of financial or legal impediments that had an adverse impact on BOINY's ability to meet the credit needs of its community.

Assessment Area

BOINY's area is comprised of all five counties (Kings, Queens, New York, Richmond and Bronx) in their entirety that make up New York City.

There are 2,167 census tracts in the area, of which 347 are low-income, 608 are moderate-income, 631 are middle-income, 515 are upper-income, and 66 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Kings	14	115	280	211	141	761	51.9
Queens	27	24	176	308	134	669	29.9
New York	15	44	51	20	158	288	33.0
Bronx	7	160	90	56	26	339	73.7
Richmond	3	4	11	36	56	110	13.6
Total	66	347	608	631	515	2,167	44.1

Demographic & Economic Data

The assessment area had a population of 8,426,743 during the examination period. About 12.7% of the population were over the age of 65 and 19.0% were under the age of sixteen.

Of the 1,865,277 families in the assessment area, 32.6% were low-income, 16.3% were moderate-income, 15.7% were middle-income, and 35.5% were upper-income families. There were 3,113,535 households in the assessment area, of which 19.4% had income below the poverty level and 4.1% were on public assistance.

The weighted average median family income in the assessment area was \$70,541.

There were 3,422,225 housing units within the assessment area, of which 39.4% were one-to-four family units, and 60.4% were multifamily units. A majority (62.0%) of the area's housing units were rental units, while 29.0% were owner-occupied. Of the 991,350 owner-occupied housing units, 24.2% were in low- and moderate-income census tracts while 75.6% were in middle- and upper-income census tracts. The median age of the housing stock was 69 years, and the median home value in the assessment area was \$536,278.

There were 509,507 non-farm businesses in the assessment area. Of these, 85.9% were businesses with reported revenues of less than or equal to \$1 million, 7.3% reported revenues of more than \$1 million and 6.8% did not report their revenues. Of all the businesses in the assessment area, 96.9% were businesses with less than fifty employees, while 91.1% operated from a single location. The largest industries in the area were services (47.5%), retail trade (15.7%), and finance, insurance & real estate (9.6%); 9.6% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rates for New York State steadily declined from a high of 7.7% for 2013 to a low of 4.7% for 2017. The average unemployment rates for the five counties making up BOINY’s assessment area also steadily declined during the evaluation period. Queens County’s annual average unemployment rates were consistently the lowest of the five counties. Bronx County’s rates were consistently the highest.

Assessment Area Unemployment Rate						
	Statewide	Kings	Queens	New York	Richmond	Bronx
2013	7.7	9.4	7.7	7.5	9.0	11.8
2014	6.3	7.6	6.4	6.1	7.4	9.8
2015	5.3	5.9	5.0	4.9	5.8	7.8
2016	4.8	5.3	4.5	4.5	5.2	7.1
2017	4.7	4.6	4.0	4.0	4.6	6.2

Community Information

Examiners met and interviewed community contacts from two nonprofit organizations within BOINY’s assessment area. Both organizations focus on LMI individuals and small businesses in need of assistance.

Examiners interviewed the financial program director of an organization that helps LMI entrepreneurs build businesses in underserved areas in New York City. The organization provides legal, financial, and marketing services primarily in underserved New York City neighborhoods that have not experienced similar economic growth as other neighborhoods. The interviewee noted that although there are an adequate number of banking offices in the area, financial institutions fail to provide for the banking needs of many small businesses, and cited business documentation requirements and personal credit guarantees as barriers to extending credit or opening business accounts.

Examiners also interviewed the vice president of an organization that seeks to provide affordable housing, economic development and empowerment opportunities for LMI individuals. The organization focuses on the area of central Harlem, where 50% of the population have an income below the poverty level and less than 2% of businesses are owned by minorities. The interviewee noted several banks actively provide financial assistance to help residents obtain affordable housing, but BOINY was not

included. The interviewee noted the need for more financial institutions to collaborate with community development organizations to provide financial services and products tailored to LMI individuals/families and small business owners.

Both contacts indicated that although New York City's economy has steadily grown, LMI areas such as Harlem are lagging. The contacts also noted the need for financial programs to educate LMI individuals and families, as well as small business owners, on savings and financing options.

PERFORMANCE TEST AND ASSESSMENT FACTORS

The Department evaluated BOINY under the community development test for wholesale or limited purpose banking institutions pursuant to Section 76.11 of the GRS. Performance criteria 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 investments are not routinely provided by private investors; and*
- (3) the banking institution's responsiveness to credit and community development needs.*

In addition, the following factors are considered in assessing BOINY's record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications; evidence of prohibited discriminatory or other illegal credit practices; the Bank's record of opening and closing offices and providing services at offices; process factors such as activities to ascertain credit needs; and the extent of marketing and special credit related programs.

Finally, the evaluation considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

The evaluation period covered the period from April 1, 2013 to December 31, 2017.

At its **prior** Performance Evaluation, as of March 31, 2013, DFS assigned BOINY a rating of "3," reflecting a "Needs to Improve" record of helping to meet community credit needs.

Current CRA Rating: "Needs to Improve"

Community Development Test: "Needs to Improve"

BOINY'S community development performance demonstrated a poor level of responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering BOINY's capacity and the need and availability of such opportunities for community development in its assessment area.

During the evaluation period, BOINY made \$6 million in community development loans and \$6.9 million in new qualified investments, including \$0.5 million in community development grants. BOINY also had \$0.4 million in qualified investments outstanding from prior evaluation periods.

BOINY’s community development loans and qualified investments totaled \$13.3 million for the evaluation period. While this was an improvement over the \$6 million from the prior evaluation period, it still represented a ratio of annualized community development activities to average total assets of only 0.05%. Thus, BOINY’s record of responding to community credit needs through community development activities remains poor.

A more detailed description of BOINY’s community development activity follows:

Community Development Lending: “Needs to improve”

During the evaluation period, BOINY twice renewed a \$3 million revolving line-of-credit¹ (in December 2014 and December 2017) to a non-profit organization for a total of \$6 million in community development loans. The organization’s mission is to revitalize underserved neighborhoods in New York City by connecting residents to affordable housing. The organization provides financial assistance, homeownership education and community leadership training to empower residents within the community. BOINY had no outstanding community development loan balances from prior evaluation periods. BOINY’s ratio of annualized community development loans to average total assets was just 0.02%. This demonstrated a poor level of community development lending.

Community Development Loans				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
Purpose	# of Loans	\$000	# of Loans	\$000
Affordable Housing	2	6,000		
Economic Development				
Community Services				
Revitalize & Stabilize				
Total	2	6,000	0	0

Community Development Investments: “Needs to improve”

During the evaluation period, BOINY made \$6.9 million in new qualified investments, including \$0.5 million in grants. BOINY also had \$0.4 million in qualified investments outstanding from prior evaluation periods for a total of \$7.3 million in qualified investments for the evaluation period. This demonstrated a poor level of qualified investments over the course of the evaluation period.

BOINY’s \$7.3 million in qualified investments reflected an increase from the \$3 million reported at the prior evaluation; however, this figure represented a ratio of annualized

¹ For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the period of the exam.

community development investments and grants to average assets of only 0.03%. This is well below the level of comparable institutions within the assessment area.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	3	\$ 3,119	6	383
Economic Development	7	\$ 3,250		
Community Services				
Revitalize and Stabilize				
Total	10	\$ 6,369	6	383
			Not Applicable	
CD Grants	# of Grants	\$000		
Affordable Housing	10	\$ 116		
Economic Development	7	\$ 64		
Community Services	35	\$ 347		
Revitalize and Stabilize	2	\$ 7		
Total	54	\$ 534		

Below is a description of BOINY’s qualified investments.

Investments

- BOINY invested \$3.1 million in Federal National Mortgage Association (“FNMA”) and Federal Home Loan Mortgage Corporation (“Freddie Mac”) mortgage-backed securities (“MBS”). The MBS securities were comprised of 14 mortgage loans to LMI borrowers within New York City area. FNMA and Freddie Mac are public government sponsored enterprises providing affordable mortgage financing.
- BOINY renewed \$3.3 million in time-deposits with three U.S. Department of Treasury Certified Community Development Financial Institutions (“CDFIs”) located in New York City. CDFIs provide access to financial products and services to residents and businesses in underserved communities and; thereby empower low-income people to enter the financial mainstream.

Grants

Community Services

- BOINY donated a total of \$85,000 to a nonprofit organization in New York City that raises private funds to ensure homebound elderly New Yorkers do not go without food or human companionship.
- BOINY contributed \$64,000 to a nonprofit organization with a mission of providing

crucial funding and operational support to emerging innovative community-based organizations that assist underserved youth throughout the City.

Affordable Housing

- BOINY made five grants totaling \$28,000 to a nonprofit organization that is committed to increasing permanent housing options for domestic violence survivors by building affordable housing and improving their access to existing housing resources.

Economic Development

- BOINY donated a total of \$57,000 to an organization with a mission to enhance the quality of life in the South Bronx, NY by strengthening businesses and creating innovative economic, housing, educational, and career development programs for youth and adults.

Revitalize and Stabilize

- BOINY made two grants totaling \$7,000 to an organization in Harlem, NY with a mission to build a better community, improve quality of life, and maintain a clean and safe boulevard for residents and small business owners.

Community Development Services: “Needs to improve”

BOINY demonstrated a poor level of community development services over the course of the evaluation period.

Below are examples of BOINY’s community development services:

- A senior officer of BOINY serves as a board member of a child care corporation in Brooklyn, NY. The corporation provides affordable childcare for low-income families and creates entrepreneurship opportunities for low-income women.
- A senior officer serves as a board member of an organization that advocates for greater access to affordable childcare throughout New York City.

Innovative Practices:

BOINY did not engage in any innovative or flexible community development practices.

Responsiveness to Credit and Community Development Needs:

BOINY’S community development performance demonstrated a poor level of responsiveness to the community development needs of its assessment area considering

BOINY's capacity and the need and availability of such opportunities for community development in its assessment area.

BOINY's community development activities of loans, investments and services were poor during the evaluation period.

Additional Factors

The extent of participation by the banking institution's Board of Directors/Trustees in formulating CRA policies and reviewing CRA performance

BOINY's board of directors is in Mumbai, India. The US operations are managed by a local senior management team led by the chief executive officer ("CEO"). BOINY's CRA officer has access to senior management and provides periodic CRA updates and progress towards goals as well as suggestions for improvements. BOINY has a CRA committee, which includes the CEO (chairs the committee), the chief compliance officer, CRA officer and several other senior officers. The CRA committee meets at least quarterly to discuss CRA initiatives and progress.

Discrimination and other illegal practices

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

DFS did not note any practices that were intended to discourage applications for the types of credit offered by BOINY.

- *Evidence of prohibited discriminatory or other illegal credit practices.*

DFS did not note any evidence of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

BOINY has not opened or closed any branches since the prior evaluation. As a wholesale bank, BOINY offers very limited retail services at its office.

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.*

BOINY's efforts to ascertain the credit needs of its community include meeting with

community organizations that serve small business, LMI individuals and communities. Several BOINY senior bank officers and staff meet with these organizations periodically to determine the needs of their clients and members. Additionally, a senior bank officer is a Board member of two of these 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*

As a wholesale bank, BOINY does not have direct programs for marketing their products and services. Senior Officers, through their ongoing business relationships look for opportunities where BOINY can meet community credit needs. BOINY also utilizes its website to advertise the products and services it offers.

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

DFS noted no other factors.

GLOSSARY

Aggregate Lending

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

“Community development”:

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.

Community Development Loan

A loan that has 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.

Community Development Service

Service that has community development as its *primary purpose*, 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.

Geography

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

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.

Income Level

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the Metropolitan Statistical Area ("MSA") or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

Small Business Loan

A small business loan is a loan less than or equal to \$1 million.

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas where, according to the 2000 U.S. 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 MSA or Primary Metropolitan Statistical Area ("PMSA"), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

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

LMI Individuals/Persons

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

LMI Penetration Rate

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

Low-Income Housing Tax Credit (LIHTC)

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

New Markets Tax Credit (NMTC)

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

Qualified Investment

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. 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.