NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
CONSUMER PROTECTION AND FINANCIAL ENFORCEMENT DIVISION

One State Street
New York, NY 10004

PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Date of Evaluation: December 31, 2018

Institution: Interaudi 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 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 Interaudi Bank (“IB” or the “Bank”) 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, 2018.

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 institutions’ 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: “Satisfactory”

The Department evaluated IB’s performance according to the community development test for wholesale or limited purpose banking institutions pursuant to Section 76.11 of the GRS. The evaluation period covered April 1, 2014 through December 31, 2018. IB is rated “Satisfactory” or “2.” This rating means IB had a satisfactory record of helping to meet community credit needs.

This rating is based on the following factors:

Community Development Test: “Satisfactory”

IB’s community development performance demonstrated a reasonable responsiveness to the community development needs of its assessment area considering IB’s capacity, and the need and availability of such opportunities for community development in its assessment area.

Community Development Lending: “Outstanding”

IB originated $42.6 million in new community development loans during the evaluation period and had no outstanding loans from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Community Development Qualified Investments: “Satisfactory”

IB made $3.5 million in new qualified investments during the evaluation period, which included $275,869 in grants, and had $403,684 in qualified investments outstanding from prior evaluation periods. This demonstrated a reasonable level of community development investments and grants over the course of the evaluation period.

Community Development Services: “Needs to Improve”

IB demonstrated a poor level of community development services over the course of the evaluation period. The Bank reported one instance of community development service provided by the CRA officer.
**Innovative or Complex Practices:** “Satisfactory”

IB demonstrated a reasonable level of innovative or flexible community development practices through its community development loans that aimed to revitalize low-income communities, as well as its community development investment promoting economic development.

**Responsiveness to Credit and Community Development Needs:** “Satisfactory”

IB demonstrated a reasonable level of responsiveness to credit and community development needs through its community development lending and investing activities.

*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 General Regulations of the Superintendent.*
PERFORMANCE CONTEXT

Institution Profile

Chartered in 1983, IB is a wholesale bank headquartered in New York City, New York. In addition to its New York branch attached to its corporate headquarters in New York City, IB maintains a second branch office in Miami, Florida.

IB has a wholesale banking institution designation for CRA purposes. As a wholesale institution, IB does not engage in residential mortgage, home improvement, or any other type of consumer loans, except as an accommodation for existing customers.

IB is a relationship bank with a large international clientele base. The Bank offers its clients deposit services, credit and debit cards, tailored business and personal loans, lines of credit and investment services. Investment services are provided through IB’s two subsidiaries: Ameraudi Asset Management and Ameraudi Investment Services.

In its Consolidated Report of Condition (the “Call Report”) as of December 31, 2018, filed with the Federal Deposit Insurance Corporation (“FDIC”), the Bank reported total assets of $2 billion, of which $855 million were net loans and lease financing receivables. It also reported total deposits of $1.7 billion, resulting in a LTD ratio of 49.5%. According to the latest available comparative deposit data, as of June 30, 2018, IB had a market share of 0.08% or $977 million in a market of $1.3 trillion, ranking it 44th among 110 deposit-taking institutions in the assessment area.

The following is a summary of IB’s loan portfolio, based on Schedule RC-C of the Bank’s December 31, 2014, 2015, 2016, 2017, and 2018 Call Reports:

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td>1-4 Family Res. Mrtg. Lns</td>
<td>289,864</td>
<td>350,397</td>
<td>428,565</td>
<td>424,617</td>
<td>425,977</td>
</tr>
<tr>
<td>Commercial &amp; Industrial Loans</td>
<td>105,759</td>
<td>120,273</td>
<td>137,224</td>
<td>118,528</td>
<td>112,366</td>
</tr>
<tr>
<td>Commercial Mortgage Loans</td>
<td>161,842</td>
<td>179,233</td>
<td>176,231</td>
<td>195,432</td>
<td>222,523</td>
</tr>
<tr>
<td>Multifamily Mortgages</td>
<td>22,191</td>
<td>22,447</td>
<td>19,645</td>
<td>26,131</td>
<td>24,208</td>
</tr>
<tr>
<td>Consumer Loans</td>
<td>6,202</td>
<td>6,208</td>
<td>5,348</td>
<td>5,681</td>
<td>5,963</td>
</tr>
<tr>
<td>Construction Loans</td>
<td>38,771</td>
<td>48,434</td>
<td>35,982</td>
<td>49,523</td>
<td>67,384</td>
</tr>
<tr>
<td>Other Loans</td>
<td>5,905</td>
<td>6,782</td>
<td>6,454</td>
<td>5,708</td>
<td>5,963</td>
</tr>
<tr>
<td>Total Gross Loans</td>
<td>630,534</td>
<td>733,774</td>
<td>809,449</td>
<td>825,620</td>
<td>864,384</td>
</tr>
</tbody>
</table>

The above summary of year-end gross loans outstanding showed IB had 49.3% in one-to-four family residential mortgages as of December 31, 2018; however, a majority of these loans were made to business entities. Commercial lending activities comprised of commercial mortgages, commercial and industrial loans, multifamily mortgages and construction loans, represented another 49.3% of the total loan portfolio.
Examiners noted no evidence of financial or legal impediments that had an adverse impact on IB’s ability to meet the credit needs of its community.

**Assessment Area**

The Bank’s assessment area is comprised of Bronx, Kings, New York and Queens counties. On June 2016, IB changed its assessment area, and excluded Richmond County from its assessment area.

There are 2,057 census tracts in the area, of which 343 are low-income, 597 are moderate-income, 595 are middle-income, 459 are upper-income and 63 are tracts with no income indicated.

<table>
<thead>
<tr>
<th>County</th>
<th>N/A</th>
<th>Low</th>
<th>Mod</th>
<th>Middle</th>
<th>Upper</th>
<th>Total</th>
<th>LMI %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bronx</td>
<td>7</td>
<td>160</td>
<td>90</td>
<td>56</td>
<td>26</td>
<td>339</td>
<td>73.7</td>
</tr>
<tr>
<td>Kings</td>
<td>14</td>
<td>115</td>
<td>280</td>
<td>211</td>
<td>141</td>
<td>761</td>
<td>51.9</td>
</tr>
<tr>
<td>New York</td>
<td>15</td>
<td>44</td>
<td>51</td>
<td>20</td>
<td>158</td>
<td>288</td>
<td>33.0</td>
</tr>
<tr>
<td>Queens</td>
<td>27</td>
<td>24</td>
<td>176</td>
<td>308</td>
<td>134</td>
<td>669</td>
<td>29.9</td>
</tr>
<tr>
<td>Total</td>
<td>63</td>
<td>343</td>
<td>597</td>
<td>595</td>
<td>459</td>
<td>2,057</td>
<td>45.7</td>
</tr>
</tbody>
</table>

The assessment area appears reasonable based upon the location of the bank’s offices and its lending patterns. There is no evidence that IB has arbitrarily excluded LMI areas.

**Demographic & Economic Data**

The assessment area had a population of 7,954,262 during the examination period. Approximately 12.6% of the population were over the age of 65 and 18.9% were under the age of 16.

Of the 1,742,525 families in the assessment area, 33.5% were low-income, 16.5% were moderate-income, 15.5% were middle-income, and 34.5% were upper-income. There were 2,947,751 households in the assessment area, of which 19.8% had income below the poverty level and 4.2% were on public assistance.

The weighted average median family income in the assessment area was $69,349.

There were 3,244,089 housing units within the assessment area, of which 36.8% were one-to-four family units, and 63% were multifamily units. A majority (63.8%) of the area’s housing units were rental units, while 27% were owner-occupied. Of the 2,070,401 renter-occupied housing units, 56.9% were in LMI census tracts while 42.8% were in middle- and upper-income census tracts. Of the 877,350 owner-occupied housing units, 26.4% were in LMI census tracts while 73.3% were in middle- and upper-income census tracts. The median age of the housing stock was 71 years, and the median home value in the assessment area was $541,839.
There were 501,269 non-farm businesses in the assessment area. Of these, 85.9% were businesses with reported revenues of less than or equal to $1 million, 7.2% reported revenues of more than $1 million, and 6.9% did not report their revenues. A large majority (96.7%) of the businesses in the assessment area had less than fifty employees, while 91.1% operated from a single location. The largest industries in the area were services (45.6%), retail trade (15.2%), and finance, insurance and real estate (9.6%); 12.9% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State steadily decreased during the evaluation period from 6.3% to 4.2%, resulting in a five-year statewide average unemployment rate of 5.1%. All four counties comprising the assessment area exhibited the same downward trend. New York and Queens counties’ five-year average unemployment rates, at 4.6% and 4.8%, respectively, were lower than the statewide average rate, while Bronx and Kings counties at 7.3% and 5.5%, respectively, had higher five-year average unemployment rates than the statewide average unemployment rate.

<table>
<thead>
<tr>
<th>Assessment Area Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statewide</td>
</tr>
<tr>
<td>2014</td>
</tr>
<tr>
<td>2015</td>
</tr>
<tr>
<td>2016</td>
</tr>
<tr>
<td>2017</td>
</tr>
<tr>
<td>2018</td>
</tr>
<tr>
<td>Avg. (5 yrs)</td>
</tr>
</tbody>
</table>

Community Information

DFS examiners conducted community contact interviews with a nonprofit organization that provides financial literacy workshops for low-income youths and a community development financial institution (“CDFI”) that provides flexible and affordable financing options to entities for projects that have high social value but may not be able to access the services offered by traditional financial institutions.

The executive director of the nonprofit organization described a need for free financial education to low-income youths to help them establish their financial goals through an informed management of their financial resources. The interviewee further informed the examiners that more than fifty percent of those who have attended the organization’s workshops had never or rarely discussed money or financial goals, or received financial literacy education.

The director of the CDFI stated that scarcity in affordable housing is still one of the major issues within the Bank’s assessment area and identified a strong demand for additional affordable housing for LMI families.
PERFORMANCE TEST AND ASSESSMENT FACTORS

The Department evaluated IB under the wholesale banking institution performance standards pursuant to the “community development test,” as provided in 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 also considered in assessing IB’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 was April 1, 2014 through December 31, 2018.

At its prior Performance Evaluation, as of March 31, 2014, DFS assigned IB a rating of “2”, reflecting a “Satisfactory” record of helping to meet community credit needs.

Current CRA Rating: “Satisfactory”

Community Development Test: “Satisfactory”

IB’s community development performance demonstrated a reasonable responsiveness to the community development needs of its assessment area through community development loans and investments, considering IB’s capacity and the need and availability of such opportunities for community development in its assessment area.

During the evaluation period IB originated $42.6 million in new community development loans and had no outstanding loans from prior evaluation periods. IB also made $3.5 million in new qualified investments during the evaluation period, which included $275,869 in grants, and had $403,684 in qualified investments outstanding from prior evaluation periods.

A more detailed description of the Bank’s community development activity follows:
Community Development Lending: “Outstanding”

IB originated $42.6 million in new community development loans during the evaluation period and had no outstanding loans from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

<table>
<thead>
<tr>
<th>Purpose</th>
<th># of Loans</th>
<th>$000</th>
<th># of Loans</th>
<th>$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable Housing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Services</td>
<td>2</td>
<td>14,650</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revitalize &amp; Stabilize</td>
<td>7</td>
<td>27,935</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9</td>
<td>42,585</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Below are examples of IB’s community development lending.

- IB originated a $13 million commercial loan to finance the construction of a three-story retail and office building with one hundred twenty parking spaces located in a moderate-income geography in Queens County. The project provides essential community wide infrastructure to revitalize the neighborhood, attract new and retain existing residents, and provide jobs to LMI individuals.

- IB infused an additional $6 million to an existing construction loan to finance the development of a retail shopping center in a moderate-income geography in Queens County, supporting neighborhood revitalization.

- IB originated a $12 million commercial loan to support the construction of a six-story charter school in a moderate-income census tract in Kings County (Brooklyn), with more than fifty percent of the students eligible for free and reduced-price lunch.

Qualified Investments: “Satisfactory”

During the evaluation period, IB made $3.5 million in new qualified investments, which included $275,869 in grants, and had $403,684 in qualified investments outstanding from prior evaluation periods. This demonstrated a resonable level of qualified investments over the course of the evaluation period.
<table>
<thead>
<tr>
<th>Community Development Investments and Grants</th>
<th>This Evaluation Period</th>
<th>Outstandings from Prior Evaluation Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>CD Investments</td>
<td># of Inv.</td>
<td>$000</td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>1</td>
<td>190</td>
</tr>
<tr>
<td>Economic Development</td>
<td>1</td>
<td>2,799</td>
</tr>
<tr>
<td>Community Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revitalize/Stabilize</td>
<td>1</td>
<td>247</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>3,236</td>
</tr>
<tr>
<td>CD Grants</td>
<td># of Grants</td>
<td>$000</td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>15</td>
<td>192</td>
</tr>
<tr>
<td>Economic Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Services</td>
<td>24</td>
<td>84</td>
</tr>
<tr>
<td>Other (Please Specify)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>276</td>
</tr>
</tbody>
</table>

Below are highlights of IB’s community development investments.

- IB had a $4 million capital investment in the SBA Loan Fund of a Community Development Entity (“CDE”) with a mission of promoting economic development by supporting job creation, retention, and/or improvement in LMI geographies or in areas targeted for redevelopment by federal, state, local, or tribal governments; $2 million of this investment was allocated for community development loans provided to businesses and farms located in New York that meet the SBA 7(a) Program eligibility standard. The remaining $2 million was for projects in IB’s Miami, Florida assessment area.

- IB had $247,255 in savings deposits in a federal savings bank in New York City. As a CDFI, the bank serves LMI communities in New York, Kings, and Queens counties.

IB made a total of $275,869 in grants to organizations supporting affordable housing and other community services that benefited LMI individuals in its assessment area.

- IB contributed $136,019 to the Affordable Housing Program (AHP) administered by the Federal Home Loan Bank of New York (“FHLBNY”). Each year, FHLBNY sets aside 10% of its earnings to support the creation and preservation of housing for low-income families and individuals.

- IB contributed $45,000 to a New York City organization that revitalizes underserved neighborhoods by connecting city residents to affordable housing options and helps residents buy, maintain, and stay in their homes.
IB contributed $84,100 to several other organizations that provided community services such as: food pantries, scholarships, and grants for minority children and free financial and other educational services to children living in LMI census tracts.

**Community Development Services:** “Needs to Improve”

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

The Bank reported only one instance of a community development service during the evaluation period. The Bank’s CRA Officer is on the board of directors of a federal credit union that serves LMI census tracts in the Bedford Stuyvesant community in Kings County. The low-income designated credit union is also a certified community development financial institution.

**Innovative or Complex Practices:** “Satisfactory”

IB demonstrated a reasonable level of innovative or flexible community development practices through its community development loans that aimed to revitalize low-income communities, as well as its community development investment promoting economic development.

**Responsiveness to Credit and Community Development Needs:** “Satisfactory”

Overall, IB demonstrated a reasonable level of responsiveness to credit and community development needs. The Bank made impactful community development loans, investments and donations, exceeding its performance during the prior evaluation period. Many of the community development loans, investments, and donations were made to organizations that have positive long-term effects on revitalizing and stabilizing LMI census tract within the Bank’s assessment area. However, considering its capacity and the need and availability of such opportunities in its assessment area, IB should enhance its level of community development services.

**Additional Factors**

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 CRA

The board reviews a report on CRA activities at each of its meetings. Annually, the board reviews and approves the CRA policy and the Bank’s assessment area delineation. In addition, IB’s internal auditor regularly reviews the CRA program and activities, and the audit report is reviewed by the audit committee at each of its quarterly meetings.
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 evidence of any practices that were intended to discourage applications for the types of credit offered by the institution.

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

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

The banking institution’s record of opening and closing offices and providing services at offices

IB has not opened or closed any branches since the prior evaluation. As a wholesale bank, IB offers limited retail services at its offices in midtown Manhattan, New York and Miami, Florida.

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.*

  IB’s directors and officers have established relationships and support a wide range of nonprofit groups and organizations that serve LMI individuals and geographies.

- *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 and due to the limitations of its credit products, IB does not market its products through the media. IB’s marketing efforts are primarily achieved through customer referrals.

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.

<table>
<thead>
<tr>
<th>Income level of individual or geography</th>
<th>% of the area median income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-income</td>
<td>Less than 50</td>
</tr>
<tr>
<td>Moderate-income</td>
<td>At least 50 and less than 80</td>
</tr>
<tr>
<td>Middle-income</td>
<td>At least 80 and less than 120</td>
</tr>
<tr>
<td>Upper-income</td>
<td>120 or more</td>
</tr>
</tbody>
</table>

**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.