



**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: July 31, 2020

Institution: Piermont Bank
4 Bryant Park
New York, NY 10018

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 Piermont Bank (“PB” 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 July 31, 2020.

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

The Department evaluated PB according to the small banking institution performance standards pursuant to Sections 76.7 and 76.12 of the GRS. The assessment period included the period July 17, 2019 through July 31, 2020. PB is rated “**Satisfactory**” or “2.” This rating means PB had a satisfactory record of helping to meet community credit needs.

As a *de novo* bank, this is PB's first CRA performance evaluation.

The rating is based on the following factors:

Lending Test: Satisfactory

Loan-to-Deposit (“LTD”) Ratio and Other Lending-Related Activities

PB's average LTD ratio was adequate considering its size, business strategy, and financial condition, and the demographic characteristics and credit needs of its assessment area.

PB's quarterly LTD ratios varied considerably and results were impacted by the onset of the COVID-19 pandemic in the first quarter of 2020.

Assessment Area Concentration

During the evaluation period, PB originated 92.4% by number and 93% by dollar value of its total small business loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending.

Distribution by Borrower Characteristics

PB's small business lending demonstrated a reasonable distribution of loans among businesses of different revenue sizes.

Most of PB's small business lending consisted of SBA Paycheck Protection Program (“PPP”) loans¹, all of which were originated in 2020 and for which borrower revenue information was not required to be collected. Of the loans for which borrower revenue was known (including some PPP loans), PB originated 80% by number and 39.4% by dollar value of originated small business loans to businesses with annual revenues of \$ 1 million or less, comparable to the 88% of businesses in the assessment area that had annual revenues of \$1 million or less in 2019. PB originated only one small business loan in 2019.

¹ PPP loans were authorized pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), enacted by Congress in response to the COVID-19 pandemic. Also refer to the Glossary for a complete description of SBA PPP loans

Geographic Distribution of Loans

The distribution of PB's small business loans among census tracts of varying income levels was reasonable.

Approximately 10.6% by number and 15.1% by dollar value of PB's small business loans were made to businesses located in LMI geographies. About 25% of the businesses in the Bank's assessment area were located in LMI geographies in 2019.

Action Taken in Response to Written Complaints with Respect to CRA: "N/A"

Neither DFS nor PB received any written complaints regarding PB's CRA performance during the evaluation period.

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 GRS Part 76.

PERFORMANCE CONTEXT

Institution Profile

Established in 2019, PB is a commercial bank headquartered at 4 Bryant Park, New York, N.Y. As a de novo bank, PB officially opened for business in its single full-service location in New York on July 17, 2019. PB is a designated Minority Depository Institution¹ (“MDI”). MDIs play a vital role in promoting economic viability for minority and under-served communities.

PB focuses on providing banking services to small and medium sized businesses, primarily within its New York assessment area. The Bank’s primary loan products are commercial real estate and commercial and industrial loans, which include asset-based loans, commercial term loans, revolving lines of credit, and acquisition financing. The Bank does not engage in consumer-related lending. However, it offers a wide range of products and services for retail and business customers that include checking (including the New York-mandated basic banking account), regular savings, money market accounts, and certificates of deposit. Services include internet banking, mobile banking services, and remote deposit capture.

In its Consolidated Report of Condition (the “Call Report”) as of June 30, 2020, filed with the Federal Deposit Insurance Corporation (“FDIC”), PB reported total assets of \$116.9 million, of which \$68.3 million were net loans and lease financing receivables. It also reported total deposits of \$84.6 million, resulting in a loans-to-deposit (“LTD”) ratio of 80.8%.

The following is a summary of the Bank’s loan portfolio, based on Schedule RC-C of the Bank’s December 31, 2019 and June 30, 2020 Call Reports:

TOTAL GROSS LOANS OUTSTANDING				
Loan Type	December 31, 2019		June 30, 2020	
	\$000's	%	\$000's	%
Commercial & Industrial Loans	2,551	17.1	18,701	27.1
Commercial Mortgage Loans	12,375	82.9	50,297	72.9
Total Gross Loans	14,926		68,998	100.0

As illustrated in the above table, PB is essentially a commercial lender. During the two quarters ended December 31, 2019 and June 30, 2020, commercial mortgage loans and commercial & industrial loans comprised PB’s entire loan portfolio.

¹ Refer to the Glossary for a definition of a minority depository institution.

PB's only branch location at its corporate headquarters in Manhattan, New York is open from Monday through Friday from 8:30 AM to 4:30 PM, with no extended hours. It does not have an onsite ATM. However, PB offers an ATM debit card, which its customers can use at other ATMs free of charge.

Examiners noted no evidence of financial or legal impediments that had an adverse impact on PB's ability to meet the credit needs of its community.

Assessment Area

PB's New York State assessment area is comprised of Bronx, Kings, New York, Queens, Nassau, and Westchester counties.

There are 2,564 census tracts in the area, of which 299 are low-income, 616 are moderate-income, 813 are middle-income, 759 are upper-income, and 77 tracts had no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	7	140	99	60	33	339	70.5
Kings	14	95	260	230	162	761	46.6
Nassau	9	7	28	159	81	284	12.3
New York	15	34	57	21	161	288	31.6
Queens	27	16	146	303	177	669	24.2
Westchester	5	7	26	40	145	223	14.8
Total	77	299	616	813	759	2,564	35.7

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

Demographic & Economic Data

The assessment area, as of 2019 had a population of 10,276,189. Approximately 13.3% of the population was over the age of 65 and 19.1% was under the age of 16.

Of the 2,318,101 families in the assessment area, 29.6% were low-income, 16% were moderate-income, 16.1% were middle-income and 38.3% were upper-income. There were 3,730,257 households in the assessment area, of which 17.2% had income below the poverty level and 3.7% were on public assistance.

The weighted average median family income in the assessment area was \$82,114.

There were 4,081,377 housing units within the assessment area, of which 45.5% were one-to-four family units and 54.4% were multifamily units. A majority (56.1%) of the area's housing units were rental units, while 35.3% were owner-occupied. Of the 2,288,935 rental-occupied units, 51% were in LMI census tracts while 49% were in middle- and upper-income census tracts. Average monthly gross rent was \$1,358. Of the 1,441,322 owner-occupied housing units, 16.2% were in LMI census tracts while 83.7% were in middle- and upper-income census tracts. The median age of the housing stock was 79 years, and the median home value in the assessment area was \$534,095.

There were 820,447 non-farm businesses in the assessment area. Of these, 88.1% were businesses with reported revenues of less than or equal to \$1 million, 5.8% reported revenues of more than \$1 million and 6.1% did not report their revenues. Of all the businesses in the assessment area, 97.2% were businesses with less than fifty employees while 92.5% operated from a single location. The largest industries in the area were services (43%), followed by retail trade (13.8%) and finance, insurance and real estate (9.2%); 17.6% 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 and all counties in the Bank's assessment area increased dramatically during the second quarter of 2020, primarily as a result of the statewide closing of offices, small businesses, and retail establishments such as restaurants, most retail stores, and businesses operating in shopping malls, attributable to the onset and persistence of the COVID-19 pandemic.

As shown in the comparative unemployment rates table below, the low unemployment rates reflected during the last three years (2017 to 2019) persisted through the first quarter of 2020. However, the impact of the COVID-19 pandemic was felt during the second quarter as the unemployment rates for New York State and all counties in the Bank's assessment area increased between the first and second quarters of 2020. While in all cases applicable unemployment rates more than doubled during the second quarter of 2020, the degree of increase varied by county. The increases in county unemployment rates ranged from 8.6 percentage points in Westchester County to 16.1 percentage points in Queens County; while the statewide average rate increased by 10.8 percentage points.

During the second quarter of 2020, Westchester, Nassau and New York counties had unemployment rates that were lower than the statewide average, while Bronx, Queens, and Kings counties' unemployment rates exceeded the statewide average.

Assessment Area Unemployment Rate							
	Statewide	Bronx	Kings	Nassau	New York	Queens	Westchester
2019	4.0	5.4	4.1	3.4	3.5	3.5	3.8
2020-1st qtr*	4.1	5.0	3.8	3.6	3.3	3.2	4.0
2020-2nd qtr**	14.9	21.0	17.8	13.5	13.6	19.3	12.6

* 3-month average – Jan.to Mar.; ** 3-month average – Apr. to June

Community Information

DFS examiners interviewed representatives from two nonprofit organizations providing services to communities and residents in PB’s assessment area. Both organizations help promote economic development by supporting small businesses and providing business services to help them get started and grow.

The first interview was conducted with the deputy director of an economic development corporation that aims to help small business entrepreneurs start and maintain successful small businesses through partnerships with local organizations. The organization also provides one-on-one business counseling to entrepreneurs, women-owned, start-up and small businesses and works with different lenders to help arrange access to capital. The representative cited the need for financial literacy training; and has identified certain parts of LMI communities in Queens such as, Corona, Elmhurst, and Far Rockaway as being underbanked.

The second interview was with the president and CEO of an organization that was created to address the need for job opportunities and business job training, and youth services, particularly in Bronx County, where more than 30% of the population lives below the poverty level and which has the highest unemployment rate of all the counties in PB’s assessment area. The representative stated that access to capital and more collaboration between financial institutions and community development organizations are needed to assist LMI individuals and small business owners especially during challenging economic times resulting from the COVID-19 pandemic. The interviewee also stated that most communities in the South Bronx area were underbanked.

Both interviews illustrated a common theme that the overall economy has been negatively impacted by the recent lockdown and social distancing rules, resulting from the COVID-19 pandemic. Small businesses such as restaurants, grocery stores, medical and dental offices, hair and beauty salons, laundromats, and fitness centers are particularly affected. The interviewees indicated that local banks should establish relationships with small businesses, provide financial education to LMI individuals who want to pursue small business opportunities, reach out to underserved communities, and provide credit solutions for small businesses.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated PB under the small banking institution performance standards in accordance with Sections 76.7 and 76.12 of the GRS, which consist of the following lending test criteria:

- 1. Loan-to-deposit ratio and other lending-related activities;*
- 2. Assessment area concentration;*
- 3. Distribution of loans by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA.*

DFS also considered the following factors in assessing the bank's record of performance:

- 1. The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Evidence of practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. The institution's record of opening and closing offices and providing services at offices; and*
- 5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs.*

Finally, DFS considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which PB helps meet the credit needs of its entire community.

DFS derived statistics employed in this evaluation from various sources. PB submitted bank-specific information both as part of the examination process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS used LTD ratios from information shown in the Bank's Uniform Bank Performance Report, compiled by the FFIEC from Call Report data.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business demographic data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor.

DFS evaluated PB's CRA performance based on its small business lending activities. While the Bank submitted HMDA-reportable loans for analysis, they were not included in this evaluation because the number was too small for a meaningful analysis.

Examiners considered PB's small business loans in evaluating factors (2), (3), and (4) of the lending test noted above. Small business loan data evaluated in this performance evaluation represented actual originations.

As a newly (“de novo”) New York State-chartered bank, this is PB’s first CRA performance evaluation. The assessment period was from July 17, 2019 through July 31, 2020.

Current CRA Rating: “Satisfactory”

Lending Test: “Satisfactory”

PB’s small business lending activities were reasonable in light of its size, business strategy, and financial condition, and the demographic characteristics and credit needs of its assessment area.

Loan-to-Deposit Ratio and Other Lending-Related Activities

PB’s average LTD ratio was adequate considering its size, business strategy, and financial condition, and the demographic characteristics and credit needs of its assessment area.

PB’s quarterly LTD ratios varied considerably over the evaluation period. While PB officially opened on July 17, 2019, it did not start its market operations until September of that year. This adversely impacted the Bank’s 2019 third quarter LTD ratio. Furthermore, its operations were impacted by the onset of the COVID-19 pandemic starting in the first quarter of 2020.

The table below shows PB’s LTD ratios for the most recent three quarters: the 4th quarter of 2019 and the 1st and 2nd quarters of 2020 (which constitute most of the evaluation period and the Bank’s existence).

Loan-to-Deposit Ratios				
	2019 Q4	2020 Q1	2020 Q2	Avg.
Bank	107.4	59.3	80.8	82.5

Assessment Area Concentration

During the evaluation period, almost all of PB’s lending activity was for small business, with 92.4% by number and 93% by dollar value of its small business loans made within the assessment area. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending.

Small Business Loans

See above for specific assessment area concentration information. The vast majority of the Bank’s small business loan originations were SBA Paycheck Protection Program (“PPP”) loans all of which were originated in 2020. There was only one small business loan originated in 2019.

The following table shows the percentages of PB's small business loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business										
2019	1	100.0%	-	0.0%	1	128	100.0%	-	0.0%	128
2020	84	92.3%	7	7.7%	91	8,812	92.9%	671	7.1%	9,483
Grand Total	85	92.4%	7	7.6%	92	8,940	93.0%	671	7.0%	9,611

Distribution by Borrower Characteristics

PB's small business lending demonstrated a reasonable distribution of loans among businesses of different revenue sizes.

However, as previously noted, most of PB's small business lending consisted of PPP loans, for which borrower revenue information was not required to be collected. In fact, borrower revenue information was not available for most of the PPP loans that PB originated. Therefore, such loans are not included in these performance results.

Small Business Loans

PB's small business lending demonstrated a reasonable distribution of loans among businesses of different revenue sizes. However, this analysis is limited by the fact that of the total of 92 small business loans the Bank has originated (85 inside the assessment area) during its short time in business, 81 were PPP loans, of which a subset of 55 did not include information about the respective borrowers' revenues.

In cases where borrower revenue was available, PB originated 80% by number and 39.4% by dollar value of originated small business loans to businesses with annual revenues of \$ 1 million or less. By number, this is comparable to the 88% of businesses in the assessment area that have annual revenues of \$1 million or less in 2019. Note that aggregate data is not given for 2019 or 2020. The Bank operated for only a portion of 2019, making a comparison to full-year aggregate data inappropriate, and at the time of this writing, there was no aggregate or demographic data available for 2020.

The following table provides a summary of the distribution of PB's small business loans by the revenue size (when known) of the business.

Distribution of Small Business Lending by Revenue Size of Business									
2019									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	-	0.0%	0	0.0%	<i>Data not Available.</i>				88.1%
Rev. > \$1MM	1	100.0%	128	100.0%					5.8%
Rev. Unknown	-	0.0%	0	0.0%					6.1%
Total	1		128						
2020									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	24	82.8%	1,327	40.9%	<i>Data not Available.</i>				
Rev. > \$1MM	5	17.2%	1,914	59.1%					
Rev. Unknown	-	0.0%		0.0%					
Total	29		3,241						
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	24	80.0%	1,327	39.4%					
Rev. > \$1MM	6	20.0%	2,042	60.6%					
Rev. Unknown	-	0.0%	-	0.0%					
Total	30		3,369						

* This table does not include the 55 PPP loans made in 2020 for which borrower revenue was not available.

Geographic Distribution of Loans

PB's origination of small business loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

Small Business Loans

The distribution of PB's small business loans among census tracts of varying income levels was reasonable.

Approximately 10.6% by number and 15.1% by dollar value of PB's small business loans were made to businesses located in LMI geographies. About 25% of the businesses in the Bank's assessment area were located in LMI geographies in 2019.

The following table provides a summary of the distribution of PB's small business loans by the income level of the geography where the businesses were located.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2019									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	<i>Data not Available.</i>				7.0%
Moderate	0	0.0%	0	0.0%					18.0%
LMI	0	0.0%	0	0.0%					25.0%
Middle	0	0.0%	0	0.0%					26.2%
Upper	1	100.0%	128	100.0%					46.7%
Unknown	0	0.0%	0	0.0%					2.1%
Total	1		128						
2020									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	<i>Data not Available.</i>				
Moderate	9	10.7%	1,347	15.3%					
LMI	9	10.7%	1,347	15.3%					
Middle	17	20.2%	2,690	30.5%					
Upper	56	66.7%	4,381	49.7%					
Unknown	2	2.4%	394	4.5%					
Total	84		8,812						
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%					
Moderate	9	10.6%	1,347	15.1%					
LMI	9	10.6%	1,347	15.1%					
Middle	17	20.0%	2,690	30.1%					
Upper	57	67.1%	4,509	50.4%					
Unknown	2	2.4%	394	4.4%					
Total	85		8,940						

Action Taken In Response to Written Complaints with Respect to CRA: "N/A"

Neither DFS nor PB received any written complaints during the evaluation period regarding PB's CRA performance.

Additional Factors

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

The Board (specifically, Board Risk Committee) oversees the Bank's CRA program, and annually reviews and approves the CRA policy. The CRA policy was most recently reviewed and approved in May 2020. The CRA officer also provides the Bank's CRA self-

assessment report at least annually to the Board.

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

DFS examiners noted no evidence of practices by PB intended to discourage applications for the types of credit offered by PB.

Evidence of prohibited discriminatory or other illegal credit practices.

DFS examiners noted no evidence by PB of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

PB is a de novo bank, and has as of this writing, only opened a branch attached to its headquarters.

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.*

PB has formed strategic partnerships with select community organizations and trade associations. These partnerships help the Bank gain access to its target audience, better understand the financial needs of these businesses, and find ways to help and support them.

- *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*

The Bank's outreach and marketing efforts focus on small and medium sized-companies in the Greater New York area. The Bank has not singled out a specific geographic area or demographic group within its market area for marketing or outreach efforts. Instead, the Bank directs its marketing efforts based on identified market voids or needs for the Bank's target audience of small and medium-sized businesses.

The Bank is not planning a mass marketing approach, but may consider selective advertising in industry-specific publications after its first year of operations.

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

The local and national economies have been severely impacted by the ongoing COVID-19 pandemic, with five of the twelve months of the current evaluation period (March through July 2020) being affected. This has hampered PB's ability to make headway as a *de novo* bank. However, PB has made PPP loans and recently launched its overall SBA lending program

The Bank has engaged in some community development service activities, including involvement in community organizations by a board member and a senior management employee, as well as participation in and sponsorship of community programs/events.

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 2010 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 Block Numbering Areas ("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.

Minority Depository Institutions ("MDIs")

An MDI is defined as a federal insured depository institution for which (1) 51 percent or more of the voting stock is owned by minority individuals; or (2) a majority of the board of directors is minority and the community that the institution serves is predominantly minority. For more of MDIs, go to FDIC.gov (Minority Depository Institutions Program) including list of MDIs.

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.

Paycheck Protection Program (“PPP”) Loans

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) temporarily permits the U.S. Small Business Administration (“SBA”) to guarantee 100% of 7(a) loans under a new program titled the “Paycheck Protection Program”. The intent of the PPP is to help small business cover payroll costs providing for forgiveness of up to the full principal of qualifying loans guaranteed under the PPP subject to certain rules including how much or percentage of the loan proceeds a borrower spends on payroll costs. A small business owner can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Any amount of the PPP loan that is not forgiven shall be repaid over a 5-year term at a fixed interest rate of 1%.