



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

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2013

Institution: The Berkshire Bank
4 East 39th Street
New York, NY 10016

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 The Berkshire Bank (“TBB”) 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, 2013.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent 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 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 record of meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary (“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

TBB is evaluated according to the intermediate small bank performance criteria pursuant to Part 76.7 and Part 76.12 of the General Regulations of the Superintendent. This assessment period included calendar years 2011, 2012 and 2013. TBB is rated "2," indicating a "Satisfactory" record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: "Satisfactory"

- **Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:** "Satisfactory"

TBB's average LTD ratio was marginally adequate considering its size, business strategy, and financial condition.

TBB's average LTD ratio for the evaluation period was 46.9% compared to 74.9% for the peer group. Partially contributing to the low LTD ratio was TBB's business strategy to sell loans in the secondary market.

- **Assessment Area Concentration:** "Outstanding"

During the evaluation period, TBB originated HMDA-reportable, small business and MECA loans totaling 94.7% by number and 96.2% by dollar value within the assessment area. This substantial majority of lending inside its assessment area is an excellent record of lending.

- **Distribution by Borrowers Characteristics:** "Satisfactory"

The distribution of loans based on borrower characteristics demonstrated a reasonable penetration rate of lending among individuals of different income levels and businesses of different revenue sizes.

- **Geographic Distribution of Loans:** "Satisfactory"

The distribution of loans based on lending in census tracts of varying income levels demonstrated a reasonable rate of lending.

- **Action Taken in Response to Written Complaints With Respect to CRA:**

Since the latest CRA evaluation as of December 31, 2010, neither TBB nor DFS has received any written complaints regarding TBB's CRA performance.

Community Development Test (Loans, Investments, Services): “Outstanding”

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

- **Community Development Loans: “Outstanding”**

During the evaluation period, TBB made 14 loans totaling \$33.4 million in new community development lending and still had \$8.9 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period¹.

TBB’s level of new community development loans increased by 115% compared to the prior period. The ratio of community development loans to total assets was 1.8% annualized, indicating an excellent level of community development lending.

- **Community Development Investments: “Outstanding”**

During the evaluation period, TBB made \$2.9 million in new community development investments and still had \$12.1 million outstanding from prior evaluation periods. In addition, TBB made \$9 thousand in community development grants. \$14.97 million, representing 0.65% of the total assets annualized, is an excellent level of community development investments over the course of the evaluation period.

- **Community Development Services: “Satisfactory”**

TBB demonstrated a reasonable level of community development services over the course of the evaluation period. TBB’s management and staff delivers financial expertise to various community groups by providing financial education and training to members of the community.

- **Innovative or Complex Practices:**

During the evaluation period, TBB did not use innovative or complex community development practices.

- **Responsiveness to Credit and Community Development Needs:**

TBB demonstrated a reasonable level of responsiveness to credit and community development needs. TBB offered products and services with emphasis on the LMI

¹ For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit.

individuals and small businesses, for example, small business loans and loans to nursing homes, homeless shelters, and other healthcare facilities focused on LMI individuals.

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 1989, TBB is a commercial bank headquartered in Manhattan, New York. It is a wholly owned subsidiary of Greater American Finance Group, Inc., which in turn is a wholly owned subsidiary of Berkshire Bancorp, Inc., a publicly traded bank holding company.

Per the Consolidated Report of Condition (the Call Report) as of December 31, 2013, filed with the Federal Deposit Insurance Corporation ("FDIC"), TBB reported total assets of \$766.7 million, of which \$309.2 million were net loans and lease finance receivables. It also reported total deposits of \$616.9 million, resulting in a loan-to-deposit ("LTD") ratio of 50.1%. According to the latest available comparative deposit data as of June 30, 2013, TBB obtained a market share of 0.07%, or \$592.4 million in a market of \$848.2 billion inside its market, ranking it 52nd among 123 deposit-taking institutions in the Bronx, Kings, New York, Queens, Orange and Sullivan counties.

The following is a summary of TBB's loan portfolio, based on Schedule RC-C¹ of TBB's December 31, 2011, 2012 and 2013 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2011		2012		2013	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	104,854	33.0	84,207	28.5	76,992	24.3
Commercial & Industrial Loans	11,317	3.6	21,814	7.4	21,976	6.9
Commercial Mortgage Loans	169,015	53.2	149,183	50.4	162,617	51.2
Multifamily Mortgages	12,169	3.8	14,491	4.9	23,704	7.5
Consumer Loans	561	0.2	497	0.2	2,066	0.7
Construction Loans	14,804	4.7	23,790	8.0	29,231	9.2
Other Loans	368	0.1	402	0.1	249	0.1
Lease financing	4,654	1.5	1,370	0.5	652	0.2
Total Gross Loans	317,742		295,754		317,487	

As illustrated in the above chart, TBB is primarily a commercial lender, with 67.3% of its loan portfolio in commercial mortgage loans, construction loans and commercial & industrial loans, as of December 31, 2013. TBB's secondary product focus is residential mortgage loans, with 24.3% of its loan portfolio in 1-4 family residential mortgage loans, as of December 31, 2013.

TBB operates 10 full banking offices in New York, of which three are located in New York County, four in Kings County, two in Orange County and one in Sullivan

¹ Total Gross Loans outstanding should be the amount as indicated on Lines 1 through 10.

County. In addition, TBB operates a limited service branch in Goshen, Orange County, serving the residents of the G. Arden Life Care Retirement Community. Supplementing the banking offices is an automated teller machine (“ATM”) network, which provides ATM machines on every branch location. TBB does not have any off-site ATMs. Furthermore, TBB operates one branch in Teaneck, New Jersey.

There are no known financial or legal impediments that adversely impacted TBB’s ability to meet the credit needs of its community.

Assessment Area:

TBB’s assessment area is comprised of Bronx County, New York County, Kings County, Queens County, Orange County and a portion of Sullivan County.

There are 2,146 census tracts in the area, of which 297 are low-income, 586 are moderate-income, 667 are middle-income, 535 are upper-income and 61 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	10	129	101	64	35	339	67.8
New York	12	37	65	23	151	288	35.4
Kings	13	108	269	234	137	761	49.5
Queens	26	16	134	303	190	669	22.4
Orange	0	7	14	40	18	79	26.6
Sullivan*	0	0	3	3	4	10	30.0
Total	61	297	586	667	535	2,146	41.1

**Partial county*

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

Demographic & Economic Data

The assessment area had a population of 8.1 million during the examination period. About 11.8% of the population were over the age of 65 and 19.2% were under the age of 16.

Of the 1.8 million families in the assessment area, 30.3% were low-income, 17.3% were moderate-income, 16.9% were middle-income and 35.5% were upper-income families. There were 3 million households in the assessment area, of which 18.1% had income below the poverty level and 4.1% were on public assistance.

The weighted average of median family income within the assessment area was \$65,118. The U.S. Department of Housing and Urban Development (“HUD”) estimated median family income for the area was \$66,690 in 2013. New York County and Orange County had weighted-average median family incomes of \$104,415 and \$82,809, respectively, both significantly higher than the assessment area overall.

There were 3.3 million housing units within the assessment area, of which 39.5% were one- to four-family units, and 60.1% were multifamily units. A majority (61.1%) of the area’s housing units were rental-occupied, while 29.7% were owner-occupied units. Of the 2 million rental-occupied housing units, 53.7% were in low- and moderate-income census tracts, while 46.3% were in middle- and upper-income census tracts. Of the 989,135 owner-occupied housing units, only 21.8% were in low- and moderate-income census tracts, while 78.2% were in middle- and upper-income census tracts. The median age of the housing stock was 68 years and the median home value in the assessment area was \$518,648.

There were 638,026 non-farm businesses in the assessment area. Of these, 71.8% were businesses with reported revenues of less than or equal to \$1 million, 5.5% reported revenues of more than \$1 million and 22.7% did not report their revenues. Of all the businesses in the assessment area, 78.4% were businesses with less than fifty employees, while 93.5% operated from a single location. The largest industries in the area were Services (44.4%), followed by Retail Trade (15.1%) and Finance, Insurance & Real Estate (8.9%). 14.1% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate in New York State decreased from 8.3% in 2011 to 7.7% in 2013. The counties of New York, Queens and Orange had average unemployment rates lower than that of the New York State. Bronx, Kings and Sullivan counties had higher unemployment rates than the New York State average. Bronx County had the highest unemployment rate among the six counties comprising TBB’s assessment area.

Assessment Area Unemployment Rate							
	Statewide	Bronx	New York	Kings	Queens	Orange	*Sullivan
2011	8.3	12.4	7.5	9.8	8.1	8.0	9.2
2012	8.5	12.7	7.7	9.9	8.3	8.3	9.6
2013	7.7	11.7	7.1	9.3	7.6	7.3	8.8

Community Information

The CRA evaluation included an interview with a community contact representing a not-for-profit corporation. The organization partners with residents and businesses to improve the quality of life of Central Brooklyn by promoting economic self-

sufficiency, enhancing family stability and transforming the neighborhood into a safe, vibrant place to live and work. The not-for-profit corporation offers a full spectrum of programs covering affordable housing, workforce and youth development and commercial revitalization.

According to the corporation, the primary need of the community is financial education and counseling services, as the low-income residents generally do not use banks and credit unions; rather, they use the services of check cashers and payday lenders. Furthermore, there is a need for small business lending as small businesses and emerging entrepreneurs do not have access to traditional financing.

TBB was not mentioned in any negative context.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

TBB was evaluated under the intermediate small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Superintendent. TBB's performance was evaluated according to the intermediate small bank performance criteria, which consists of the lending test and the community development test. The lending test includes:

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

The community development test includes:

- Community development lending;*
- Community development investments;*
- Community development services;*
- Innovative or complex practices; and*
- Responsiveness to community development needs*

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

- 1. Extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Any practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. 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.*

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to FDIC. Aggregate lending data were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report were derived from the 2000 & 2010 U.S. Census and the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report is based on Dun & Bradstreet reports, which are updated annually. Unemployment data were obtained from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide

basis, and were used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2011, 2012 and 2013.

Examiners considered TBB's HMDA-reportable, small business and modification, extension and consolidation agreements ("MECA") loans in evaluating factors (2), (3) and (4) of the lending test as noted above.

Small business lending was given greater weight in this evaluation, as TBB primarily focuses on small business lending. During the evaluation period, the dollar value of small business loans originated was \$22.7 million, nearly double of TBB's HMDA reportable loan total of \$11.4 million (see chart on page 4-4).

TBB is not required to report small business loan data, and its small business loan data are therefore not included as part of the aggregate data used for comparative purposes.

At the request of TBB, MECA loans were evaluated.

TBB received a rating of "2", reflecting a "Satisfactory" record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York State Department of Financial Services as of December 31, 2010.

Current CRA Rating: "Satisfactory"

Lending Test: "Satisfactory"

TBB's HMDA-reportable, small business and MECA lending activities were reasonable in light of aggregate and peer group activity and demographics.

Loan-to-Deposit Ratio and other Lending-Related Activities: "Satisfactory"

TBB's average LTD ratio was marginally adequate considering its size, business strategy, and financial condition.

TBB's average LTD ratio for the evaluation period was 46.9% compared to 74.9% for the peer group. Partially contributing to the low LTD ratio was TBB's business strategy to sell loans in the secondary market. TBB sold \$4.4 million in loans in 2011, \$1.6 million in 2012 and \$320,000 in 2013.

The chart below shows TBB's LTD ratios in comparison with the peer group's ratios for the 12 quarters since the prior evaluation.

Loan-to-Deposit Ratios													
	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	Avg.
Bank	48.8	48.7	48.1	45.4	44.7	44.4	45.3	44.0	46.7	48.3	47.8	50.1	46.9
Peer	76.5	76.6	75.9	75.1	73.3	74.3	74.5	74.0	73.2	74.9	75.1	75.8	74.9

Assessment Area Concentration: “Outstanding”

During the evaluation period, TBB originated HMDA-reportable, small business and MECA loans totaling 94.7% by number and 96.2% by dollar value within the assessment area. This substantial majority of lending inside of its assessment area is an excellent record of lending.

HMDA-Reportable Loans:

During the evaluation period, for HMDA-reportable lending, TBB originated 96.9% by number and 97.7% by dollar value of its loans within the assessment area. This substantial majority of lending inside of its assessment area is an excellent record of lending.

Small Business Loans:

During the evaluation period, for small business lending, TBB originated 94.2% by number and 95.4% by dollar value of its loans within the assessment area. This substantial majority of lending inside of its assessment area is an excellent record of lending.

MECA Loans:

During the evaluation period, TBB refinanced and/or modified 93.9% by number and 96.4% by dollar value of its loans within the assessment area. This substantial majority of lending inside of its assessment area is an excellent record of lending.

The following table shows the percentages of TBB’s HMDA, small business and MECA loans originated and/or refinanced 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
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2011	4	100.0%	-	0.0%	4	1,245	100.0%	-	0.0%	1,245
2012	15	100.0%	-	0.0%	15	2,807	100.0%	-	0.0%	2,807
2013	12	92.3%	1	7.7%	13	7,088	96.5%	260	3.5%	7,348
Subtotal	31	96.9%	1	3.1%	32	11,140	97.7%	260	2.3%	11,400
Small Business										
2011	14	87.5%	2	12.5%	16	5,839	86.8%	885	13.2%	6,724
2012	20	95.2%	1	4.8%	21	8,945	98.4%	150	1.6%	9,095
2013	15	100.0%	-	0.0%	15	6,903	100.0%	-	0.0%	6,903
Subtotal	49	94.2%	3	5.8%	52	21,687	95.4%	1,035	4.6%	22,722
MECA Loans										
2011	11	84.6%	2	15.4%	13	1,474	86.0%	240	14.0%	1,714
2012	22	95.7%	1	4.3%	23	3,548	97.5%	90	2.5%	3,638
2013	13	100.0%	-	0.0%	13	3,770	100.0%	-	0.0%	3,770
Subtotal	46	93.9%	3	6.1%	49	8,792	96.4%	330	3.6%	9,122
Grand Total	126	94.7%	7	5.3%	133	41,619	96.2%	1,625	3.8%	43,244

Distribution by Borrower Characteristics: "Satisfactory"

The distribution of loans based on borrower characteristics demonstrated a reasonable penetration rate of lending among individuals of different income levels and businesses of different revenue sizes.

HMDA-Reportable Loans:

TBB's HMDA-reportable lending demonstrated an adequate penetration rate of lending among borrowers of different income levels.

During the evaluation period, TBB made three home mortgage loans to moderate-income borrowers and no home mortgage loans to low-income borrowers. Overall, the rate of lending to LMI borrowers was slightly higher than the aggregate lending level by number, and slightly lower by dollar value.

The chart on the following page provides a summary of the HMDA-reportable lending distribution based on borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2011									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	1,159	2.0%	174,965	0.7%	31.2%
Moderate		0.0%		0.0%	4,766	8.3%	789,682	3.3%	17.0%
LMI	0	0.0%	0	0.0%	5,925	10.3%	964,647	4.0%	48.2%
Middle	1	25.0%	150	12.0%	10,925	19.0%	2,548,674	10.6%	17.3%
Upper	3	75.0%	1,095	88.0%	38,132	66.3%	19,064,122	79.1%	34.4%
Unknown		0.0%		0.0%	2,500	4.3%	1,534,437	6.4%	
Total	4		1,245		57,482		24,111,880		
2012									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	1,505	2.3%	276,590	1.0%	30.3%
Moderate	3	20.0%	391	13.9%	5,136	7.8%	907,851	3.2%	17.3%
LMI	3	20.0%	391	13.9%	6,641	10.0%	1,184,441	4.1%	47.6%
Middle	2	13.3%	304	10.8%	12,206	18.4%	2,935,584	10.3%	16.9%
Upper	10	66.7%	2,112	75.2%	44,142	66.7%	22,156,029	77.6%	35.6%
Unknown		0.0%		0.0%	3,237	4.9%	2,269,147	7.9%	
Total	15		2,807		66,226		28,545,201		
2013									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%					30.3%
Moderate		0.0%		0.0%					17.3%
LMI	0	0.0%	0	0.0%					47.6%
Middle	1	10.0%	78	1.2%					16.9%
Upper	2	20.0%	340	5.4%					35.6%
Unknown	7	70.0%	5,870	93.4%					
Total	10		6,288		-		-		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%		2.2%		0.9%	
Moderate	3	10.3%	391	3.8%		8.0%		3.2%	
LMI	3	10.3%	391	3.8%	12,566	10.2%	2,149,085	4.1%	
Middle	4	13.8%	532	5.1%		18.7%		10.4%	
Upper	15	51.7%	3,547	34.3%		66.5%		78.3%	
Unknown	7	24.1%	5,870	56.8%		4.6%		7.2%	
Total	29		10,340						

Small Business Loans:

The distribution of small business loans based on the revenue size of the business demonstrated an excellent penetration rate of lending among businesses of different revenue sizes.

During the evaluation period, TBB originated 63.3% by number and 65.4% by dollar value of its small business loans to businesses with gross annual revenue equal to or less than \$1 million. These penetration ratios are significantly higher than the average aggregate ratios of 36.5% and 28.6% for the same categories of borrowers during the

evaluation period, in the years where data is available.

The following chart provides a summary of TBB's small business lending distribution based on revenue size during the evaluation period:

Distribution of Small Business Lending by Revenue Size of Business									
2011									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	6	42.9%	3,095	53.0%	56,207	33.5%	1,162,475	26.8%	65.0%
Rev. > \$1MM	8	57.1%	2,744	47.0%					3.7%
Rev. Unknown		0.0%		0.0%					31.3%
Total	14		5,839		167,879		4,337,170		
2012									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	16	80.0%	7,427	83.0%	68,703	39.3%	1,437,925	30.3%	70.6%
Rev. > \$1MM	3	15.0%	1,190	13.3%					5.0%
Rev. Unknown	1	5.0%	328	3.7%					24.4%
Total	20		8,945		174,644		4,748,023		
2013									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	9	60.0%	3,653	52.9%	Data Not Available				71.8%
Rev. > \$1MM	6	40.0%	3,250	47.1%					5.5%
Rev. Unknown		0.0%		0.0%					22.7%
Total	15		6,903						
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	31	63.3%	14,175	65.4%		36.5%		28.6%	
Rev. > \$1MM	17	34.7%	7,184	33.1%					
Rev. Unknown	1	2.0%	328	1.5%					
Total	49		21,687						

MECA Loans:

TBB modified \$8.8 million in 1-4 family residential loans which were not included for HMDA reporting purposes. 17.4% of MECA loans made and 11.4% of dollars lent were to LMI borrowers. These penetration ratios compared unfavorably to the respective family demographic data. Aggregate data is not available for MECA loan comparison.

The chart on the following page provides a summary of TBB's MECA lending distribution based on borrowers of different income levels during the evaluation period:

Distribution of MECA Lending by Borrower Income					
2011					
Geographic	Bank				Fam.Dem
Income	#	%	\$000's	%	%
Low	2	18.2%	165	11.2%	31.2%
Moderate	0	0.0%	0	0.0%	17.0%
LMI	2	18.2%	165	11.2%	48.2%
Middle	4	36.4%	498	33.8%	17.3%
Upper	5	45.5%	811	55.0%	34.4%
Unknown		0.0%			0.0%
Total	11		1,474		
2012					
Geographic	Bank				Fam.Dem
Income	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	30.3%
Moderate	4	18.2%	563	15.9%	17.3%
LMI	4	18.2%	563	15.9%	47.6%
Middle	9	40.9%	966	27.2%	16.9%
Upper	9	40.9%	2,019	56.9%	35.6%
Unknown		0.0%		0.0%	
Total	22		3,548		
2013					
Geographic	Bank				Fam.Dem
Income	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	30.3%
Moderate	2	15.4%	272	7.2%	17.3%
LMI	2	15.4%	272	7.2%	47.6%
Middle	2	15.4%	227	6.0%	16.9%
Upper	9	69.2%	3,271	86.8%	35.6%
Unknown		0.0%		0.0%	
Total	13		3,770		
GRAND TOTAL					
Geographic	Bank				Fam.Dem
Income	#	%	\$000's	%	%
Low	2	4.3%	165	1.9%	
Moderate	6	13.0%	835	9.5%	
LMI	8	17.4%	1,000	11.4%	
Middle	15	32.6%	1,691	19.2%	
Upper	23	50.0%	6,101	69.4%	
Unknown	-	0.0%	-	0.0%	
Total	46		8,792		

Geographic Distribution of Loans: "Satisfactory"

The distribution of loans based on lending in census tracts of varying income levels demonstrated a reasonable penetration rate of lending.

HMDA-Reportable Loans:

The distribution of HMDA-reportable loans based on the income level of the geography demonstrated a reasonable penetration rate of lending.

TBB started to expand its residential real estate portfolio during the current evaluation period. In 2011, it originated four HMDA loans, with none in LMI census tracts. In 2012, it made 15 HMDA loans with one in moderate-income tract. In 2013, loans made to LMI census tracts increased to eight, representing 66.7% by number and 55.1% by dollar value of the HMDA-reportable loans for that year.

Overall during the three-year evaluation period, TBB achieved average penetration ratios to LMI census tracts of 29% by loan number and 37.1% by dollar value, outperforming the aggregate levels of 18.8% by loan number and 19.5% by dollar value. In addition, the average penetration ratios compared favorably to the owner-occupied housing demographic data.

The following chart provides a summary of TBB's HMDA-reportable lending distribution based on the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2011									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	2,568	4.3%	1,756,738	5.8%	3.5%
Moderate		0.0%		0.0%	9,309	15.7%	4,788,344	15.9%	18.1%
LMI	0	0.0%	0	0.0%	11,877	20.0%	6,545,082	21.7%	21.6%
Middle	1	25.0%	150	12.0%	18,447	31.0%	6,143,461	20.4%	38.9%
Upper	3	75.0%	1,095	88.0%	29,005	48.8%	17,310,819	57.4%	39.5%
Unknown		0.0%		0.0%	151	0.3%	160,699	0.5%	0.0%
Total	4		1,245		59,480		30,160,061		
2012									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	2,742	4.0%	1,713,781	4.6%	3.8%
Moderate	1	6.7%	225	8.0%	9,587	13.9%	4,814,468	13.1%	18.0%
LMI	1	6.7%	225	8.0%	12,329	17.9%	6,528,249	17.7%	21.8%
Middle	7	46.7%	1,147	40.9%	19,506	28.2%	7,415,594	20.1%	36.9%
Upper	7	46.7%	1,435	51.1%	36,984	53.6%	22,648,795	61.4%	41.3%
Unknown		0.0%		0.0%	245	0.4%	273,098	0.7%	0.0%
Total	15		2,807		69,064		36,865,736		
2013									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	8.3%	205	2.9%	Data Not Available				3.8%
Moderate	7	58.3%	3,700	52.2%					18.0%
LMI	8	66.7%	3,905	55.1%					21.8%
Middle	1	8.3%	78	1.1%					36.9%
Upper	3	25.0%	3,105	43.8%					41.3%
Unknown		0.0%		0.0%					0.0%
Total	12		7,088						
GRAND TOTAL									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	3.2%	205	1.8%		4.1%		5.2%	
Moderate	8	25.8%	3,925	35.2%		14.7%		14.3%	
LMI	9	29.0%	4,130	37.1%	24,201	18.8%	13,073,333	19.5%	
Middle	9	29.0%	1,375	12.3%		29.5%		20.2%	
Upper	13	41.9%	5,635	50.6%		51.3%		59.6%	
Unknown	-	0.0%	-	0.0%		0.3%		0.6%	
Total	31		11,140						

Small Business Loans:

The distribution of small business loans based on the income level of the geography of the business demonstrated a reasonable penetration rate of lending

TBB's small business loans made to LMI census tracts represented 40.8% by number and 34.5% by dollar value, outperforming aggregate level of 26.0% and 23.8%, respectively. This demonstrated TBB's commitment to serve its local community by lending to small business owners in the LMI census tracts of its assessment area.

The chart below provides a summary of TBB's small business lending distribution based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2011									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	7.1%	100	1.7%	11,785	7.0%	264,096	6.1%	9.3%
Moderate	6	42.9%	2,194	37.6%	32,266	19.2%	744,261	17.2%	22.5%
LMI	7	50.0%	2,294	39.3%	44,051	26.2%	1,008,357	23.2%	31.9%
Middle	0	0.0%	0	0.0%	40,300	24.0%	962,767	22.2%	24.9%
Upper	7	50.0%	3,545	60.7%	81,359	48.5%	2,269,231	52.3%	41.9%
Unknown		0.0%		0.0%	2,169	1.3%	96,815	2.2%	1.4%
Total	14		5,839		167,879		4,337,170		
2012									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	10.0%	883	9.9%	14,165	8.1%	379,791	8.0%	9.6%
Moderate	8	40.0%	3,057	34.2%	30,780	17.6%	775,275	16.3%	20.9%
LMI	10	50.0%	3,940	44.0%	44,945	25.7%	1,155,066	24.3%	30.5%
Middle	7	35.0%	2,340	26.2%	40,851	23.4%	1,084,956	22.9%	24.2%
Upper	3	15.0%	2,665	29.8%	82,404	47.2%	2,231,021	47.0%	42.1%
Unknown		0.0%		0.0%	6,444	3.7%	276,980	5.8%	3.3%
Total	20		8,945		174,644		4,748,023		
2013									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	Data Not Available				9.5%
Moderate	3	20.0%	1,250	18.1%					20.7%
LMI	3	20.0%	1,250	18.1%					30.2%
Middle	7	46.7%	2,353	34.1%					23.7%
Upper	5	33.3%	3,300	47.8%					42.7%
Unknown		0.0%		0.0%					3.3%
Total	15		6,903				-		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	6.1%	983	4.5%		7.6%		7.1%	
Moderate	17	34.7%	6,501	30.0%		18.4%		16.7%	
LMI	20	40.8%	7,484	34.5%		26.0%		23.8%	
Middle	14	28.6%	4,693	21.6%		23.7%		22.5%	
Upper	15	30.6%	9,510	43.9%		47.8%		49.5%	
Unknown	-	0.0%	-	0.0%		2.5%		4.1%	
Total	49		21,687						

MECA Loans:

TBB modified and/or extended 8.7% by number and 19.8% by dollar value of the MECA loans in LMI census tracts.

During the evaluation period, TBB's penetration ratios in LMI census tracts compared unfavorably to the respective percentage of owner occupied housing data by income level of tract. In 2013 TBB started to perform better. It was more closely in line with the

housing demographic by loan number and compared favorably to the housing demographic by dollar value.

The following chart provides a summary of TBB's MECA loan distribution based on geographies of different income levels during the evaluation period:

Distribution of MECA Lending by Geographic Income of the Census Tract					
2011					
Geographic Income	Bank				OO HUs
	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	3.5%
Moderate	1	9.1%	64	4.3%	18.1%
LMI	1	9.1%	64	4.3%	21.6%
Middle	3	27.3%	471	32.0%	38.9%
Upper	7	63.6%	939	63.7%	39.5%
Unknown		0.0%		0.0%	0.0%
Total	11		1,474		
2012					
Geographic Income	Bank				OO HUs
	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	3.8%
Moderate	0	0.0%	0	0.0%	18.0%
LMI	0	0.0%	0	0.0%	21.8%
Middle	11	50.0%	1,404	39.6%	36.9%
Upper	11	50.0%	2,144	60.4%	41.3%
Unknown		0.0%		0.0%	0.0%
Total	22		3,548		
2013					
Geographic Income	Bank				OO HUs
	#	%	\$000's	%	%
Low	1	7.7%	205	5.4%	3.8%
Moderate	2	15.4%	1,475	39.1%	18.0%
LMI	3	23.1%	1,680	44.6%	21.8%
Middle	4	30.8%	597	15.8%	36.9%
Upper	6	46.2%	1,493	39.6%	41.3%
Unknown		0.0%		0.0%	0.0%
Total	13		3,770		
GRAND TOTAL					
Geographic Income	Bank				OO HUs
	#	%	\$000's	%	%
Low	1	2.2%	205	2.3%	
Moderate	3	6.5%	1,539	17.5%	
LMI	4	8.7%	1,744	19.8%	
Middle	18	39.1%	2,472	28.1%	
Upper	24	52.2%	4,576	52.0%	
Unknown	-	0.0%	-	0.0%	
Total	46		8,792		

Action Taken In Response to Written Complaints With Respect to CRA: "Satisfactory"

Since the latest CRA evaluation as of December 31, 2010, neither TBB nor the New York State Department of Financial Services ("DFS") has received any written complaints regarding TBB's CRA performance.

Community Development Test: “Outstanding”

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

During the evaluation period, TBB originated \$33.4 million in new community development loans, and still had \$8.9 million outstanding from prior evaluation periods. TBB made \$2.9 million in new community development investments and had \$12.1 million outstanding from prior evaluation periods. In addition, TBB made \$9 thousand in community development grants. The ratio of total community development loans and investments over total assets achieved 2.48%, indicating excellent level of community development activities.

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

Community Development Lending: “Outstanding”

During the evaluation period, TBB made 14 loans totaling \$33.4 million in new community development lending and still had \$8.9 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period¹.

TBB’s level of new community development loans increased by 115% compared to the prior period. The ratio of community development loans to total assets was 1.8% annualized, indicating an excellent level of community development lending.

The majority of loans were made to provide community services to LMI individuals. Of the total community development loans, 85% were for community services and 15% for economic development.

Community Development Loans				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
Purpose	# of Loans	\$000	# of Loans	\$000
Economic Development	3	6,350		
Community Services	11	27,000	2	8,919
Total	14	33,350	2	8,919

¹ For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit

Below are highlights of TBB’s community development lending:

- A commercial mortgage in the amount of \$5 million to refinance an existing loan on a two-story hotel that primarily houses the homeless under an arrangement with the City of New York. The loan promotes community service as it assists the community by housing the homeless all year around. The facility is located in a moderate-income census tract.
- A line of credit in the amount of \$2.5 million was made to support operations of home care facility providing home care services to Medicaid eligible individuals who are medically and/or physically disabled or frail elderly. The facility is located in a moderate-income census tract, and promotes community service to LMI individuals.
- TBB extended a commercial mortgage in the amount of \$2 million loan to a commercial hotel facility which creates and retains jobs for LMI individuals. The loan provided working capital and helped the facility repair damages caused by Hurricane Sandy.

Community Development Investments: “Outstanding”

During the evaluation period, TBB made \$2.9 million in new community development investments and still had \$12.1 million outstanding from prior evaluation periods. In addition, TBB made \$9 thousand in community development grants. \$14.97 million, representing 0.65% of the total assets annualized, is an excellent level of community development investments over the course of the evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	5	\$ 2,393	23	12,067
Community Services	2	\$ 500		
Total	7	\$ 2,893	23	12,067
CD Grants	# of Grants	\$000	Not Applicable	
Economic Development	2	\$ 1		
Community Services	31	\$ 8		
Total	33	\$ 9		

Below are highlights of TBB’s community development investments and grants made during the current evaluation period:

-
- TBB purchased \$1 million mortgage security backed by a single multifamily building with 91 total units, of which 90 were assisted living units. The property is located in a moderate-income census tract and intended for the Section 8 Housing Program for subsidized, low-rent apartments for LMI individuals and families in New York City.
 - TBB invested \$250,000 in a New York City housing agency 2012 Series Bonds. The proceeds were used to purchase and refinance affordable rental properties in New York, Kings, and Bronx counties, including affordable units set aside for the formerly homeless.
 - TBB donated \$750 to a scholarship fund that provides scholarships to LMI families with the opportunity to give their children a quality, values-based K-12 Catholic education within the Archdiocese of New York.

Community Development Services: “Satisfactory”

TBB demonstrated a reasonable level of community development services over the course of the evaluation period.

TBB’s management and staff delivers financial expertise to various community groups by providing financial education and training to members of the community.

Below are highlights of TBB’s community development services.

- TBB held a series of free “Elder Financial Abuse” and “Identity Theft” seminars in several neighborhoods throughout its assessment area. Some of the issues discussed included phishing, Medicare issues with billing, obtaining credit reports and how to know when someone is using their pertinent information.
- TBB held a series of “Small Business Banking” and business education seminars, where TBB provided useful information to the local business owners and managers interested in obtaining knowledge about small business banking, products and services.
- An assistant branch manager served as treasurer to a community center. The organization assists senior citizens with their financial questions and financial concerns and helping them with their mail and their utility bills.
- A senior vice president in commercial lending serves in a not-for-profit organization dedicated to professional development and education for those involved with community development and housing. The SVP mentors and assists women to develop essential skills in their areas of profession.

Innovative Practices:

During the evaluation period, TBB did not use innovative community development practices.

Responsiveness to Community Development Needs:

TBB demonstrated a reasonable level of responsiveness to credit and community development needs. TBB offered products and services with emphasis on the LMI individuals and small businesses, for example, small business loans and loans to nursing homes, homeless shelters, and other healthcare facilities focused on LMI individuals.

Basic Banking Account: non-interest bearing, \$25 to open with no minimum balance requirements, a \$3 monthly service charge, no minimum balance requirements and no per check charges for the first eight transactions.

Better Business Checking: no monthly maintenance fee, no minimum balance requirement, and no transaction limit.

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 is involved with and kept informed about CRA matters through the review of TBB's quarterly CRA updates. The board reviews and discusses CRA-related activities in the board 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 noted no 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 noted no evidence of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

TBB operates 11 banking offices in New York (10 full service branches and one limited purpose branch); three located in New York County, four in Kings County, three in Orange County and one in Sullivan County. Each branch office has an ATM. Two branches are located in LMI areas, representing 18% of TBB's total branches.

TBB did not open or close any branches during the evaluation period.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
New York					3	3	0%
Kings		1	1	2		4	50%
Orange				1	2	3	0%
*Sullivan					1	1	0%
Total	-	1	1	3	6	11	18%

*Partial County

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.

TBB ascertains the credit needs of its assessment area through sponsorship of various events, meetings with local organizations, and involvement of its officers and staff in local community 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

TBB's marketing consists of placing advertisements in local community newspapers. In addition, TBB management and staff attend various local community events to promote its accounts and services.

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

None

GLOSSARY

Aggregate Penetration Rate

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 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

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of \$1 million or less.

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 Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("PMSA"), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide 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.