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

One State Street
New York, NY 10004

PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Date of Evaluation: June 30, 2013

Institution: Bank Hapoalim B.M. – New York Branch
1177 Avenue of the Americas
New York, NY 10036

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Department of Financial Services concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Bank Hapoalim B.M. New York Branch (“BHNY”) prepared by the New York State Department of Financial Services (the “Department” or “DFS”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of September 30, 2013.

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 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

Overall CRA Rating: “Satisfactory”

BHNY is evaluated according to the wholesale or limited purpose bank performance criteria pursuant to Part 76.11 of the General Regulations of the Superintendent. This assessment period included calendar years 2010, 2011 and 2012, and the six months ended June 30, 2013. BHNY is rated “2,” indicating a “Satisfactory” record of helping to meet community credit needs.

This rating is based on the following factors:

Community Development Test: “Satisfactory”

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

Community Development Lending: “Satisfactory”

During the evaluation period, BHNY originated $37.9 million in new community development loans and had $589,000 outstanding from prior evaluation periods. This demonstrated an adequate level of community development lending over the course of the evaluation period.

Community Development Qualified Investments: “Satisfactory”

During the evaluation period, BHNY made $34.8 million in new qualified community development investments, including $168,050 in grants and had $1.5 million in investments outstanding from prior evaluation periods. This demonstrated an adequate level of community development investments over the course of the evaluation period.

Community Development Services: “Satisfactory”

BHBYBMY demonstrated an adequate level of community development services over the course of the evaluation period.

Innovative or Complex Practices:

BHNY demonstrated an adequate level of innovative community development practices through its relationships and investments with community development financial intermediaries, such as community development financial institutions (“CDFIs”) and designated low-income credit unions.
Responsiveness to Credit and Community Development Needs:

BHNY demonstrated an adequate level of responsiveness to credit and community development needs.

*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.*
Institution Profile:

BHNY is a New York State-chartered and Federal Deposit Insurance Corporation (“FDIC”)-insured branch. It focuses on private banking operations and provides international banking products and services to Israeli and local companies operating in the United States. BHNY’s parent company, Bank Hapoalim B.M. (“BH”) is headquartered in Tel Aviv, Israel, and publicly traded on the Tel Aviv Stock Exchange. BH is a leading financial institution in Israel and has a global presence through its network of subsidiaries, branches and representative offices in 18 major countries.

BHNY does not originate or purchase residential mortgage, home improvement or small business loans for retail customers, except as an accommodation to its existing clients. For CRA purposes, the FDIC granted BHNY the designation of a wholesale institution.

Per BHNY’s Consolidated Report of Condition (the “Call Report”) as of June 30, 2013 filed with the FDIC, BHNY reported total assets of $9.3 billion, with $1.9 billion in loans and $1.9 billion in deposits. This resulted in a loan-to-deposit ratio of 100.0%. BHNY’s total assets, when compared to its previous evaluation date of December 31, 2009, increased by 45.3%, which was mainly attributable to overnight fund transfers from BH.

According to the latest available comparative deposit data as of June 30, 2013, BHNY had a 0.2% market share with deposits of $1.9 billion in a market of $840.1 billion. This ranked it 30th among 108 deposit-taking institutions in its assessment area.

The following is a summary of BHNY’s loan portfolio, based on Schedule RC-C of the Bank’s December 31, 2010, 2011, 2012 and June 30, 2013 Call Reports:

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>6/30/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000's</td>
<td>%</td>
<td>$000's</td>
<td>%</td>
</tr>
<tr>
<td>1-4 Family Res. Mtge.</td>
<td>11,215</td>
<td>0.6</td>
<td>11,882</td>
<td>0.6</td>
</tr>
<tr>
<td>Comm. &amp; Indus.</td>
<td>1,747,283</td>
<td>92.0</td>
<td>1,868,514</td>
<td>90.0</td>
</tr>
<tr>
<td>Comm. Mtge. Loans</td>
<td>747</td>
<td>0.0</td>
<td>28,035</td>
<td>1.4</td>
</tr>
<tr>
<td>Multifamily Mortgages</td>
<td>10,028</td>
<td>0.5</td>
<td>6,950</td>
<td>0.3</td>
</tr>
<tr>
<td>Construction Loans</td>
<td>23,205</td>
<td>1.2</td>
<td>61,353</td>
<td>3.0</td>
</tr>
<tr>
<td>State &amp; Muni Loans</td>
<td>28,105</td>
<td>1.5</td>
<td>31,648</td>
<td>1.5</td>
</tr>
<tr>
<td>Other Loans</td>
<td>78,549</td>
<td>4.1</td>
<td>67,306</td>
<td>3.2</td>
</tr>
<tr>
<td>Total Gross Loans</td>
<td>1,899,132</td>
<td>100</td>
<td>2,075,688</td>
<td>100</td>
</tr>
</tbody>
</table>

As illustrated in the above table, BHNY is primarily a commercial lender. As of June 30, 2013, BHNY had 83.3% of its loan portfolio in commercial and industrial loans, which were mostly to middle market companies, Israeli businesses and syndicated loans.
There are no known financial or legal impediments that had an adverse impact on BHNY’s ability to meet the credit needs of its community.

**Assessment Area:**

BHNY’s assessment area is comprised of the following four counties: Bronx, Kings, New York and Queens.

There are 2,057 census tracts in the area, of which 290 are low-income, 569 are moderate-income, 624 are middle-income, 513 are upper-income and 61 are tracts with no income indicated. The following table shows the assessment area census tracts by income level.

<table>
<thead>
<tr>
<th>County</th>
<th>N/A</th>
<th>Low</th>
<th>Mod</th>
<th>Middle</th>
<th>Upper</th>
<th>Total</th>
<th>LMI %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bronx</td>
<td>10</td>
<td>129</td>
<td>101</td>
<td>64</td>
<td>35</td>
<td>339</td>
<td>68%</td>
</tr>
<tr>
<td>Kings</td>
<td>13</td>
<td>108</td>
<td>269</td>
<td>234</td>
<td>137</td>
<td>761</td>
<td>50%</td>
</tr>
<tr>
<td>New York</td>
<td>12</td>
<td>37</td>
<td>65</td>
<td>23</td>
<td>151</td>
<td>288</td>
<td>35%</td>
</tr>
<tr>
<td>Queens</td>
<td>26</td>
<td>16</td>
<td>134</td>
<td>303</td>
<td>190</td>
<td>669</td>
<td>22%</td>
</tr>
<tr>
<td>Total</td>
<td>61</td>
<td>290</td>
<td>569</td>
<td>624</td>
<td>513</td>
<td>2,057</td>
<td>42%</td>
</tr>
</tbody>
</table>

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

**Demographic & Economic Data:**

According to the 2010 U.S. Census, the population in the assessment area was 7.7 million. About 11.9% of the population were over the age of 65 and 19.0% were under the age of sixteen.

Of the 1.7 million families in the assessment area, 30.8% were low-income, 17.2% were moderate-income, 16.6% were middle-income and 35.3% were upper-income. There were 2.9 million households in the assessment area, of which 18.6% had income below the poverty level and 4.2% were on public assistance.

The weighted average median family income in the assessment area was $64,722. However, there were significant differences ($61,776) in weighted average median family income between New York County ($104,415) and the Bronx ($42,639).

There were 3.2 million housing units within the assessment area, of which 37.5% were one-to-four family units, and 62.5% were multifamily units. A majority (61.0%) of the area’s housing units were rental units, while 28.1% were owner-occupied. Of the
891,130 owner-occupied housing units, 22.6% were in LMI census tracts while 77.4% were in middle- and upper-income census tracts. The median age of the housing stock was 69 years, and the weighted average median home value was $530,354.

There were 0.6 million non-farm businesses in the assessment area. Of these, 71.7% were businesses with reported revenues of less than or equal to $1 million, 5.5% reported revenues of more than $1 million and 22.8% did not report their revenues. Of all the businesses in the assessment area, 78.2% were businesses with less than fifty employees and 93.6% operated from a single location. The largest industries in the area were services (44.5%), retail trade (15.2%), and finance, insurance and real estate (9.0%), while 14.3% of the businesses were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State peaked at 8.6% in 2010 and decreased to 7.6% in June 2013. Bronx County had the highest unemployment rate in all years of the evaluation period which peaked at 12.8% in 2010.

<table>
<thead>
<tr>
<th>Assessment Area Unemployment Rate</th>
<th>NYS</th>
<th>Bronx</th>
<th>Kings</th>
<th>New York</th>
<th>Queens</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>8.6</td>
<td>12.8</td>
<td>10.3</td>
<td>8.1</td>
<td>8.7</td>
</tr>
<tr>
<td>2011</td>
<td>8.3</td>
<td>12.4</td>
<td>9.8</td>
<td>7.5</td>
<td>8.1</td>
</tr>
<tr>
<td>2012</td>
<td>8.5</td>
<td>12.7</td>
<td>9.9</td>
<td>7.7</td>
<td>8.3</td>
</tr>
<tr>
<td>June 30, 2013</td>
<td>7.6</td>
<td>11.8</td>
<td>9.4</td>
<td>7.4</td>
<td>7.7</td>
</tr>
</tbody>
</table>

Community Information:

Two nonprofit community contacts were interviewed for this evaluation. One was a certified community development financial institution ("CDFI") which seeks to stimulate economic development in communities that are underserved by providing affordable capital and hands-on business assistance to small businesses. The other was a coalition of academia and private corporations that provide financial education to mostly LMI individuals. Both organizations are headquartered in Manhattan and provide services in the bank's assessment area.

One of the contacts interviewed stated that the assessment area is always in need of capital to finance small business loans that ultimately might provide jobs for LMI individuals. The contact noted that the credit market for small businesses decreased drastically due to stricter underwriting standards. The other contact noted that there are opportunities for banks to participate in community development services through financial education and providing banking awareness to some of the unbanked and underserved neighborhoods in the assessment area.

Both community contacts gave positive comments about BHNY, especially its active participation in their organizations during the evaluation period.
PERFORMANCE TEST AND ASSESSMENT FACTORS

DFS evaluated the CRA performance of BHNY pursuant to the “community development test,” as provided for in Section 76.11 of the General Regulations of the Superintendent, which consisted of (1) the number and amount of community development loans, qualified investments or community development services; (2) the use of innovative or complex qualified investments, community development loans or community development services and the extent to which investments are not routinely provided by private investors; and (3) the banking institution’s responsiveness to credit and community development needs. In addition, the following factors also were considered in assessing BHNY’s record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications; evidence of prohibited discriminatory or other illegal credit practices; BHNY’s record of opening and closing offices and providing services at offices; and process factors such as activities to ascertain credit needs; and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.


At its prior Performance Evaluation as of December 31, 2010, DFS assigned BHNY a rating of “2,” reflecting a “Satisfactory” record of helping to meet community credit needs.

Current CRA Rating: “Satisfactory”

Community Development Test: “Satisfactory”

BHNY’s community development performance demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, investments and services.

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

Community Development Lending: “Satisfactory”

During the evaluation period, BHNY originated $37.9 million in new community development loans and had $588,940 outstanding from prior evaluation periods. This demonstrated a reasonable level of community development lending over the course of the evaluation period.¹

¹ For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the time period of the examination.
## Community Development Loans

<table>
<thead>
<tr>
<th>Purpose</th>
<th>This Evaluation Period</th>
<th>Outstandings from Prior Evaluation Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td># of Loans</td>
<td>$000</td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>2</td>
<td>4,500</td>
</tr>
<tr>
<td>Economic Development</td>
<td>5</td>
<td>17,500</td>
</tr>
<tr>
<td>Community Services</td>
<td>2</td>
<td>2,500</td>
</tr>
<tr>
<td>Revitalize/Stabilize</td>
<td>2</td>
<td>13,350</td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
<td>37,850</td>
</tr>
</tbody>
</table>

Below are highlights of BHNY’s community development lending:

**Affordable Housing**
- BHNY extended a $2.0 million revolving line of credit ("LOC") to fund general working capital for a New York City nonprofit organization which provides housing and community services to New York City’s neediest individuals.

**Economic Development**
- BHNY extended a $5.0 million revolving LOC, which was renewed in year 2010, 2011 and 2012, for total qualified community development loans of $15 million, to a nonprofit organization in Albany which supports economic development by providing loans to small businesses with particular emphasis on minority and women-owned businesses.

**Revitalize/Stabilize**
- BHNY extended a two year mortgage loan in the amount of $12.8 million to two corporations based in Manhattan. The funds were used to purchase and renovate two commercial properties located within a low-income census tract of BHNY’s assessment area. The loan helped to stabilize the properties, and it helped revitalize the area by creating and maintaining jobs at those properties.

**Community Development Investments**: “Satisfactory”

During the evaluation period, BHNY made $34.8 million in new qualified community development investments and had $1.5 million investments outstanding from prior evaluation periods. Investments decreased by 38.0% when compared to the prior evaluation period. BHNY attributed this to less community development investment opportunities during the evaluation period. Overall, BHNY demonstrated a reasonable level of community development investments and grants over the course of the evaluation period.
The following are highlights of BHNY’s community development investments:

- BHNY invested and annually renewed its certificates of deposit, in the amount of $90,000 with four credit unions, totaling $1.5 million. These credit unions are CDFIs providing banking services to LMI individuals and financing small businesses in the assessment area.

- BHNY invested and annually renewed its certificate of deposit account registry service, totaling $23.0 million, with two CDFIs. One provides credit to African-American community residents, as well as businesses, since they had limited access to mainstream financial services, and the other focuses on serving and strengthening economically disadvantaged markets.

- BHNY invested $5.0 million in a fund that provides liquidity to lenders that are originating community development loans, primarily through the SBA 7(a) program that makes loans to small businesses in BHNY’s assessment area.

Grants/Contributions:

During the evaluation period, BHNY gave a total of $168,050 in grants and donations to various nonprofit organizations, foundations, and partnerships in the assessment area. These organizations provide a range of services such as: providing food, shelter and community services, comprehensive employment training, and educational, legal, and financial advice to needy families and individuals in the assessment area. BHNY’s grants increased by 96.3% in dollar value from $85,605 to $168,050 compared to the prior
evaluation period. The following are highlights on some of these grants:

- A nonprofit coalition received a total of $30,150. The coalition’s mission is to assist individuals, such as teens, working-age adults and seniors, in understanding and improving their ability to manage their financial affairs.

- BHNY donated a used service van, valued at $19,900, to a local nonprofit, non-sectarian agency providing practical, comprehensive services to incarcerated women and their families. A majority of the agency’s clients are women with children under eighteen.

- A nonprofit partnership of faith communities, businesses and government received a total of $6,000 grants from BHNY. The mission of the partnership is helping to address the root causes of homelessness and the lack of affordable housing in New York City.

Community Development Services: “Satisfactory”

BHNY demonstrated an adequate level of community development services over the course of the evaluation period. Below are highlights of BHNY’s community development services:

- BHNY, in partnership with Fordham University’s coalition for debtor education program, participated in training and teaching financial literacy classes to teens, working-age adults and seniors. In 2012 and the first half of 2013, fifteen of BHNY’s personnel, including senior bank officers, trained, participated and taught in 49 financial literacy classes.

- In 2011, BHNY joined a “Work Study” program with a local high school in Harlem. BHNY hired three low-income high school students as paid interns. Students received exposure to various areas of the bank’s operations and at the same time earned money to cover the cost of attending school.

- One of BHNY’s legal staff worked with Lawyer’s Foreclosure Intervention Network, a joint project of the Federal Reserve Bank of New York and the City Bar Justice Center, to provide legal representation to individuals whose homes were threatened with mortgage foreclosures.

- Another of BHNY’s legal staff provided financial and legal advice to a local community group in the Crotona section of the Bronx. The community group provides meals and services to the homeless in the area.

Innovative Practices:

BHNY demonstrated an adequate level of innovative community development practices through its relationships and investments with community development financial
intermediaries, such as CDFIs and designated low-income credit unions.

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

BHNY demonstrated a reasonable level of responsiveness to credit and community development needs through its community development lending, grants, community development services and outreach programs.

**Additional Factors:**

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

BHNY’s CRA activities are directed and monitored by the CRA Committee. The committee met a total of seven times during the evaluation period. At these meetings, the committee reviewed BHNY’s CRA performance and formulated its CRA policies by using the CRA officer’s quarterly reports and internal audit reports on CRA.

**Discrimination and other illegal practices**

- *Any practices intended to discourage applications for types of credit set forth in the banking institution’s CRA Public File.*
  
  DFS did not note any practices that were intended to discourage applications for the types of credit offered by BHNY.

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

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

**Record of opening and closing offices and providing services at offices**

BHNY has not opened or closed any branches since the prior evaluation. As a wholesale bank, BHNY does not offer retail services at its offices.

**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.*

  BHNY’s CRA officer engages in broad outreach efforts to ascertain the credit and financial needs of the assessment area. This is accomplished by attending meetings, forums and other events, as well as meeting with CDFIs and other institutions with
whom BHNY maintains lending, investments and grant relationships.

- The extent of the banking institution’s marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution

As a wholesale bank, BHNY does not do direct marketing. However, BHNY has various outreach activities. BHNY’s CRA officer actively attends industry meetings and conferences, and often meets directly with nonprofit organizations, CDFIs and local government officials. In addition, some senior bank managers serve as board members in local nonprofit community organizations, such as Rotary Clubs, a Brooklyn preparatory school association and a trade group. Through these outreach activities and board memberships, BHNY makes members of the community aware of its credit-related programs.

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

DFS noted no other factors.
GLOSSARY

Aggregate 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.

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

**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.