



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

One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2018

**Institution:** Goldman Sachs Bank USA  
200 West Street  
New York, NY 10282

**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 Goldman Sachs USA (“GS Bank” or the “Bank”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2018.

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

Part 76 of the General Regulations of the Superintendent 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.

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## **OVERVIEW OF INSTITUTION'S PERFORMANCE**

### **Overall CRA Rating: "Outstanding"**

DFS evaluated GS Bank's performance according to the community development test for wholesale or limited purpose banking institutions pursuant to Section 76.11 of the GRS. The assessment period covered the period January 1, 2015 through December 31, 2018. GS Bank is rated "**Outstanding**" or "1." This rating means the Bank had an outstanding record of helping to meet community credit needs. This is the same rating the Bank received at its prior DFS Performance Evaluation dated December 31, 2014.

This rating is based on the following factors:

### **Community Development Test: "Outstanding"**

GS Bank's community development performance, including activities of its affiliates, demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering the Bank's capacity and the need and availability of such opportunities for community development in its assessment area.

### **Community Development Lending: "Outstanding"**

During the evaluation period, the Bank originated \$1.3 billion in new community development loans, and had \$59.3 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending.

### **Qualified Investments: "Outstanding"**

During the evaluation period, GS Bank made \$945.1 million in new qualified community development investments and \$49.4 million in grants, and had \$393.3 million in investments outstanding from prior evaluation periods. This demonstrated an excellent level of qualified investments.

### **Community Development Services: "Outstanding"**

GS demonstrated an excellent level of community development services over the course of the evaluation period.

### **Innovative or Complex Practices: "Outstanding"**

GS Bank demonstrated an excellent level of innovative or flexible community development practices over the course of evaluation period.

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Responsiveness to Credit and Community Development Needs: “Outstanding”

GS Bank demonstrated an excellent 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.*

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## **PERFORMANCE CONTEXT**

### **Institution Profile**

Established in 2008, GS Bank is a New York State-chartered bank, also regulated by the Federal Reserve Bank of New York (“FRBNY”) and the U.S. Consumer Financial Protection Bureau (“CFPB”) and insured by the Federal Deposit Insurance Corporation (“FDIC”).

GS Bank’s principal office is located at 200 West Street, in New York City. The Bank also operates two branches in Utah (the second branch opened in 2018) regulated by the Utah Department of Financial Institutions. In March 2013, the United Kingdom’s Financial Services Authority authorized GS Bank to operate a branch in London, which is regulated by the Financial Conduct Authority and the Prudential Regulation Authority. GS Bank is also registered with the US Commodity Futures Trading Commission (“CFTC”) as a swap dealer and as a government securities dealer subject to the rules and regulations of the US Department of the Treasury.

GS Bank is a wholly-owned subsidiary of The Goldman Sachs Group, Inc. (“GS Group”), a bank holding company regulated by the FRBNY. Other subsidiaries of GS Group include Goldman Sachs & Co, a US investment bank regulated by the Securities and Exchange Commission, and Goldman Sachs International, an overseas investment firm based in London.

GS Bank received its wholesale bank designation from the FRB for CRA purposes on July 9, 2009. The Bank’s Urban Investment Group (“UIG”) is responsible for implementing GS Bank’s CRA strategy of transforming distressed communities into sustainable and vibrant neighborhoods and improving access to economic opportunity for low-income individuals. GS Bank’s clients include small and large corporations, financial institutions, investment funds, and high net worth individuals.

The Bank’s primary activities include lending, deposit taking, and derivatives transactions. GS Bank makes most of its loans to institutional and corporate clients. The Bank also lends to its Private Wealth Management (“PWM”) clients and to consumers through its “Marcus by Goldman Sachs” online retail US consumer business and to clients of third-party broker-dealers and registered investment advisers (“RIA”) through its Goldman Sachs Private Bank Select business.

GS Bank accepts deposits from PWM clients, retail clients through Marcus by Goldman Sachs, and deposit sweep programs. The Bank also issues brokered certificates of deposit and recently began issuing term deposits to institutional clients. Derivative transactions, as well as certain related products, are utilized for the purpose of market making and risk management.

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In its Consolidated Report of Condition (the “Call Report”) as of December 31, 2018, filed with the FDIC, GS Bank reported total assets of \$191.5 billion, of which \$69.4 billion were net loans and lease financing receivables. It also reported total deposits of \$137.5 billion, resulting in an LTD ratio of 50.5%.

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

<b>TOTAL GROSS LOANS OUTSTANDING</b>								
Loan Type	2015		2016		2017		2018	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Real Estate Loans								
1-4 Family Residential Mortgages	6,000,000	12.5	6,535,000	13.8	6,882,000	11.6	9,772,000	12.8
Commercial Mortgages	4,567,000	9.5	3,250,000	6.9	4,775,000	8.0	5,287,000	6.9
Multifamily Mortgages (5 or more)	253,000	0.5	197,000	0.4	227,000	0.4	301,000	0.4
Construction Loans	921,000	1.9	616,000	1.3	1,263,000	2.1	2,335,000	3.0
Farmland Loans	48,000	0.1	55,000	0.1	0	0.0	14,000	0.0
Commercial & Industrial	13,526,000	28.2	14,148,000	30.0	14,048,000	23.6	16,607,000	21.7
Consumer Loans	1,590,000	3.3	2,600,000	5.5	4,621,000	7.8	7,257,000	9.5
Other Loans								
Loans to Non-depository Financial Inst.	14,133,000	29.5	13,731,000	29.1	22,173,000	37.3	28,963,000	37.8
All Other Loans	6,861,000	14.3	6,083,000	12.9	5,445,000	9.2	6,062,000	7.9
<b>Total Gross Loans</b>	<b>47,899,000</b>		<b>47,215,000</b>		<b>59,434,000</b>		<b>76,598,000</b>	

As illustrated in the above table, as of December 31, 2018, GS Bank primarily lent to non-depository financial institutions (37.8% of the portfolio) and commercial entities, through its commercial and industrial and commercial mortgage loans (combined at 28.6% of the portfolio). While GS Bank’s lending portfolio is primarily dedicated to institutional and corporate borrowers, the Bank does offer one-to-four family residential loans (12.8% of the portfolio) as accommodations to its clients.

*Examiners found no evidence of financial or legal impediments that had an adverse impact on GS Bank’s ability to meet the credit needs of its community.*

### **Assessment Area**

GS Bank’s New York assessment area consist of the five boroughs of New York City—The Bronx (Bronx County), Brooklyn (Kings County), Manhattan (New York County) Queens (Queens County), and Staten Island (Richmond County)

There are 2,167 census tracts in GS Bank’s New York assessment area, of which 347 are low-income, 608 are moderate-income, 631 are middle-income, 515 are upper-

income, and 66 are tracts with no income indicated. For the New York assessment area overall, LMI areas comprised 44.1% of total census tracts, ranging from a high of 73.7% in Bronx County to a low of 13.6% in Richmond County.

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

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

### **Demographic & Economic Data**

The New York City portion of the assessment area had a population of 8,426,743 during the evaluation period. Approximately 12.7% of the population was over the age of 65 and 19% was under the age of 16.

Of the 1,865,277 families in the New York assessment area, 32.5% were low-income, 16.3% were moderate-income, 15.7% were middle-income, and 35.5% were upper-income. There were 3,113,535 households in the assessment area, of which 19.4% had income below the poverty level and 4.1% were on public assistance.

The weighted average median family income in the assessment area was \$70,541. There were 3,422,225 housing units within the assessment area, of which 39.4% were one-to-four family units and 60.4% were multifamily units. Approximately 29% of the area's housing units were owner-occupied, while 62% were rental units. Of the 991,350 owner-occupied housing units, 24.2% were in LMI census tracts while 75.6% were in middle- and upper-income census tracts. The median age of the housing stock was 70 years, and the median home value in the assessment area was \$536,278.

There were 527,408 non-farm businesses in the assessment area. Of these, 86.2% were businesses with reported revenues of less than or equal to \$1 million, 7% reported revenues of more than \$1 million and 6.8% did not report their revenues. Of all the businesses in the assessment area, 97.3% were businesses with less than fifty employees while 91.2% operated from a single location. The largest industries in the area were services (45.8%), retail trade (15.2%), and finance, insurance & real estate (9.5%); and 12.8% of businesses were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State for the current evaluation period was 4.8%. The average unemployment rate for New York State decreased in all years of the evaluation period, as it did for all counties in the Bank’s assessment area. Bronx County had the highest rates throughout the evaluation period.

<b>Assessment Area Unemployment Rate</b>						
Statewide	Statewide	Bronx	Kings	New York	Queens	Richmond
2015	5.3	7.8	5.9	4.9	5.0	5.8
2016	4.9	7.1	5.3	4.6	4.5	5.2
2017	4.7	6.3	4.7	4.1	4.0	4.7
2018	4.1	5.7	4.2	3.7	3.6	4.1
Average	4.8	6.7	5.0	4.3	4.3	5.0

**Community Information**

Examiners conducted community contact interviews and considered written comments from various organizations to gain an understanding of the banking and credit needs of GS Bank’s assessment area.

DFS examiners interviewed representatives from a private, nonprofit entity created to assist in community-based housing preservation activities for the residents of the Northwest Bronx. The nonprofit provides technical assistance to community leaders, neighborhood groups and housing managers by organizing around and researching the issues that impact housing affordability and attracting resources to the community. The organization created a database to identify and address distressed multifamily rental buildings in New York City, using building code violations, city liens, and other building information to determine the likelihood of physical or financial distress in over 62,000 buildings in New York City. This database is used by various nonprofit organizations, government agencies, and banks and other lending institutions. The interviewees stated that financing to build, rehabilitate and renovate, privately-owned multi-family affordable housing projects was the best way for local financial institutions to help alleviate the problem of affordable housing in New York City. The organization further indicated that local banks involved in multifamily lending should be more proactive at the time of origination and refinancing of loans to identify any existing problems with landlords, confer with affordable housing advocates, and adopt processes to monitor the condition of the multifamily buildings financed by their loans.

The other source of community information was a comment letter received by DFS from a community-based advocate with over one hundred nonprofit members consisting of neighborhood-based affordable housing and economic development organizations and community development corporations. The letter cited some of the projects that GS Bank was involved in its community development activities, including pre-development financing for a project that replaced an abandoned juvenile jail with

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affordable housing and space for manufacturing, loans to meet the needs of immigrants and small business owners, and loans that support job creation and retention of manufacturing businesses. The letter further stated that there are opportunities to partner with nonprofits for more impactful projects in addressing community development needs including accessibility of banking products for low-income, minority, and immigrant communities.

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## **PERFORMANCE TEST AND ASSESSMENT FACTORS**

*DFS evaluated GS Bank under the wholesale banking institution performance standards pursuant to the “community development test,” as provided in Section 76.11 of the GRS. Performance criteria include (1) the number and amount of community development loans, qualified investments, and community development services; (2) the use of innovative or complex qualified investments, community development loans or community development services and the extent to which investments are not routinely provided by private investors; and (3) the banking institution’s responsiveness to credit and community development needs. In addition, the following factors are considered in assessing a bank’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; a bank’s record of opening and closing offices and providing services at offices; process factors such as activities to ascertain credit needs; and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.*

The assessment period included calendar years January 1, 2015 through December 31, 2018.

At its **prior** Performance Evaluation, as of December 31, 2014, DFS assigned GS Bank a rating of “1” reflecting an “Outstanding” record to meet community credit needs.

**Current CRA Rating:** “Outstanding”

**Community Development Test:** “Outstanding”

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

GS Bank seeks to respond to challenges identified by communities by providing initial capital (including complex financing structures when appropriate), identifying new solutions and financing models, partnering with public, private, nonprofit and community leaders to support and finance local priorities, and providing early stage capital for development projects in neighborhoods for which capital was otherwise unavailable.

GS Bank also made extensive use of highly complex, innovative and flexible transaction programs, such as Low-Income Housing Tax Credits (“LIHTC”)<sup>1</sup>, New Markets Tax

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<sup>1</sup> The Low-Income Housing Tax Credit Program (“LIHTC”) is the federal government’s primary program for encouraging

Credits (“NMTC”)<sup>2</sup>, and Historic Tax Credits (“HTC”)<sup>3</sup>, and by working and collaborating with various stakeholders in public and private entities.

A more detailed description of the Bank’s community development activity follows.

Community Development Lending: “Outstanding”

The Bank originated \$1.3 billion in new community development loans during the evaluation period and had \$59.3 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending.

The number of new community development loans increased to 25 from 16 in the prior evaluation period, while the dollar value increased by approximately 500%. A majority of the loans facilitated neighborhood revitalization initiatives. The Bank also continued its CRA strategy of creating innovative financing structures in meeting community development needs.

<b>Community Development Loans</b>				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
Purpose	# of Loans	\$000	# of Loans	\$000
Affordable Housing	4	140,185		
Economic Development	2	28,845	2	3,264
Community Services	1	6,800	1	4,324
Revitalization/Stabilization	18	1,098,664	8	51,727
<b>Total</b>	<b>25</b>	<b>1,274,494</b>	<b>11</b>	<b>59,315</b>

Below are highlights of GS Bank’s community development lending:

Affordable Housing

- GS Bank took a \$75 million participation in a tax-exempt loan to finance the acquisition and rehabilitation of a 1,395-unit affordable housing complex in the Far Rockaway section of Queens, NY. This is an LIHTC project.

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the investment of private equity in the development rental housing for low-income households. The LIHTC is an indirect federal subsidy that allows investors to claim tax credits on their federal tax returns.

2 The New Markets Tax Credit Program (“NMTC”) attracts private capital into low-income communities by permitting investors to receive a tax credit against their federal income tax in exchange for making equity investments in community development entities.

3 The Historic Tax Credit Program (“HTC”) is an indirect federal subsidy to finance the rehabilitation of historic buildings. For CRA credit, the project must meet the primary purpose of community development.

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- The Bank committed \$33 million to a construction loan facility with a nonprofit organization specializing in LMI housing in New York City. Funds will be used to construct affordable housing in communities in need of affordable housing. Other funding will finance housing developments eligible for a NYC Department of Housing Preservation and Development program.

### Economic Development

- GS Bank made a \$22.8 million senior NMTC loan, part of a complex, multi-layered financing for an industrial park construction project. The construction project will convert a group of vacant buildings into a modern distribution and light industrial space. The development is run on behalf of New York City's government to retain and grow industrial jobs. It will lease the spaces primarily to small businesses and is expected to create 370 jobs for LMI individuals in the community.
- GS Bank extended a \$6 million loan to a small business corporation that operates NYC's bicycle share program to finance the program's operation, maintenance, and expansion. It is expected to create approximately 300 jobs for LMI individuals to assemble and operate the bicycles and the stations. The program is a green economic development initiative of the NYC Economic Development Corporation and the NYC Department of Transportation.

### Community Services

GS Bank provided a \$6.8 million loan to finance the acquisition of four lots in a low-income census tract for the construction of a charter school serving predominantly LMI students.

### Revitalization/Stabilization

- GS Bank provided a \$58.8 million bridge loan as part of a NMTC transaction to finance the redevelopment and expansion of an existing museum in Harlem into a five-story, 82,000 square foot facility. This project is part of NYC's efforts to continue the revitalization of Harlem.
- GS Bank provided loans totaling \$122.1 million as part of a LIHTC project to help finance the redevelopment of a historic theater in Harlem into a mixed-use building and reactivate a site that was largely vacant for almost 20 years. The new building will include mixed-income rental apartments, retail space, a hotel, meeting space, and cultural arts space to be occupied by nonprofit cultural institutions.
- GS Bank extended a \$35 million loan to finance the acquisition and pre-development of an underutilized site in Jamaica, Queens, to be developed into a mixed-use, mixed-income project, containing nearly 1,000 affordable housing units and retail space. This project is located in a neighborhood targeted by New York City for revitalization as noted in the NYC Economic Development Corporation's Jamaica Now Action Plan.

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- GS Bank extended a \$185 million construction loan and a \$38.6 million bridge loan to finance the development of the first retail outlet center in NYC in a moderate-income area in Staten Island, directly adjacent to the Staten Island Ferry Terminal. This area of Staten Island has been identified as a component of the city’s comprehensive planning efforts. The project is expected to create over 1,200 construction jobs and 1,100 permanent jobs, largely accessible to LMI individuals.
  - GS Bank provided a \$195.5 million standby letter of credit to support the development of Jamaica Station, a mixed-use, mixed-income development in a moderate-income area of Queens, NY.
  - GS Bank provided three separate financings for a project in the Lower East Side of Manhattan as follows:
    - A \$95 million construction loan to finance development of a vacant site in a moderate-income area into a 145,000 square foot mixed-use, mixed-income building;
    - A \$68.2 million first mortgage loan for the refinancing of retail condominiums containing approximately 68,000 square feet of commercial space which will provide needed retail outlets to the neighborhood; and
    - An \$8.8 million mortgage loan for an office condominium which also includes 100 affordable rental units for seniors, and space for local nonprofit organizations.

Qualified Investments: “Outstanding”

GS Bank made \$945.1 million in new qualified community development investments and \$49.4 million in grants during the evaluation period, and had \$393.3 million in investments outstanding from prior evaluation periods. This demonstrated an excellent level of community development investments.

The Bank’s investments were comprised primarily of flexible, innovative and highly complex transactions, such as LIHTCs, NMTCs, and HTCs and other real estate joint venture investments with similar financial characteristics.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	15	620,188	21	190,874
Economic Development	1	11,934	1	5,505
Community Services			2	15,787
Revitalize/Stabilize	6	312,979	10	181,115
<b>Total</b>	<b>22</b>	<b>945,101</b>	<b>34</b>	<b>393,281</b>
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	23	711		
Economic Development	32	7,238		
Community Services	1,800	41,466		
Other (Please Specify)				
<b>Total</b>	<b>1,855</b>	<b>49,415</b>		

Below are highlights of GS Bank’s community development investments:

*Affordable Housing*

- GS Bank made a \$124.6 million investment in a LIHTC joint venture fund to finance the acquisition and rehabilitation of a 1,395-unit affordable residential property in Queens and the development of a 35-unit mixed-income building in a section of the Bronx designated as an urban renewal area. This is a LIHTC housing project being built and financed pursuant to HPD’s Extremely Low- and Low-Income Affordability (“ELLA”) <sup>4</sup> program.
- GS Bank made a \$150 million investment in a multi-investor fund that aims to purchase multifamily assets in the NYC metropolitan area with expiring affordability restrictions under HUD’s Project-Based Section 8 and Mitchell Lama programs. These properties would otherwise be at risk of transitioning to unregulated market rate rentals.
- GS Bank made a \$13.3 million LIHTC equity investment in a 26-story project that includes 190 units of mixed-income rental apartments, retail space, a hotel, and cultural arts spaces. This project is supported by state and local government agencies,

<sup>4</sup> HPD’s Extremely Low & Low-Income Affordability (“ELLA”) Program funds the new construction of low-income multi-family rental projects affordable to households with income from 30% to 60% of Area Media Income (“AMI”). ELLA requires that 10% of the apartments are set aside for formerly homeless households and an additional 30% of the apartments are affordable to extremely low and very low-incomes between 30% - 50% AMI. Alternatively, projects may have 30% of the apartments set aside for formerly homeless households and an additional 10% of the apartments affordable to households earning between 40% - 50% AMI. Projects may include a tier of units (up to 30% of the apartments) with rents affordable to households earning between 70% - 100% AMI.

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including the Upper Manhattan Empowerment Zone, a certified community development financial institution.

### Revitalization and Stabilization

- GS Bank as a lead investor committed \$196.6 million to a project resulting from a collaboration between a local community, NYCEDC, HPD, and private investors. The project made use of innovative, flexible, and complex financing, such as LIHTC and NMTC loans, aimed at creating a nine-site, mixed-income community. In addition, the Bank had \$199 million in investments in this project outstanding from prior evaluations.
- As part of a multi-layered financial structure to include NMTC and HTC financing, GS Bank made a \$11.9 million NMTC equity investment, and a \$3.8 million HTC investment to finance the rehabilitation of a building on the waterfront in Brooklyn into light industrial/office space. The project met the community development purpose since the complex is adjacent to mostly low-income census tracts, provides access to jobs for LMI individuals, and represents a continuation of New York City's efforts to revitalize the area. It is anticipated that the project will create approximately 300 jobs, with emphasis on manufacturing and industrial jobs that are accessible to non-college educated individuals.
- GS Bank made a \$95.6 million investment into a private equity joint venture to finance the purchase of an underutilized site located adjacent to the Jamaica Long Island Railroad terminal in Queens, which is in a moderate-income census tract, and adjacent to other LMI tracts (\$19.4 million was outstanding from prior evaluation periods). The joint venture has been working with New York City and State to construct a 450-unit high rise residential tower on the site which will include a significant retail area. All 450 units have income restrictions, whereby 90 condominium units are affordable for low-income individuals, and 360 units are affordable for moderate- and middle-income individuals. The Bank's investments provided early stage and direct financing that supported revitalization and mitigated displacement of existing residents.

### Community Development Grants

A majority of the grants GS Bank made during the current evaluation were for community services purposes (97% by number and 83.9% by dollar volume). The Bank's grants were mostly made to not-for-profit organizations that provide various social and supportive services to LMI individuals and families within the Bank's assessment area. The Bank also contributed more than \$7.2 million in grants to address economic development needs of the communities it serves, primarily through its 10,000 Small Businesses initiative.

The following are examples of grants made by the Bank:

- During the current evaluation period, GS Bank contributed \$6.2 million to a local

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community college to implement the Bank's 10,000 Small Businesses initiative in the greater New York area. The 10,000 Small Businesses initiatives provides business and management education, capital access, and business support services to small businesses across the United States.

- GS Bank contributed \$4.4 million to a charitable organization that provides nonprofits with financial support, with a primary focus on poverty-fighting programs throughout the five boroughs of New York City.
- GS Bank contributed \$1.8 million to a not-for-profit organization that provides youth and family development, and educational support programs for children, youths and families that are disconnected from resources and opportunities. The organization's programs are concentrated in Brooklyn and the Bronx.
- GS Bank contributed \$1.1 million to a not-for-profit organization in New York City dedicated to providing supplemental educational and career support to young people from underserved communities. The organization provides a free eight-year academic program that supports low-income students through high school to college.
- GS Bank contributed \$574,680 to a not-for-profit organization that builds or improves homes in partnership with people and families in need of affordable housing.

#### Community Development Services: "Outstanding"

GS demonstrated an excellent level of community development services over the course of the evaluation period.

The Bank's employees served on boards and as trustees of nonprofit organizations supporting LMI individuals and communities and participated in educational events in collaboration with community organizations..

Below are highlights of GS Bank's community development services:

- Senior officers from GS Group, including its subsidiaries, GS Bank and Goldman Sachs & Co., provided the following services:
  - A chairman and managing director serves on the board of directors of one of New York's largest anti-poverty organizations, whose mission is to improve the living standards of low-income New Yorkers. The organization provides other nonprofit organizations with financial, real estate, and management support. Through this system the organization can reach half a million New Yorkers annually to provide services.
  - A managing director sits on the board of three different nonprofit organizations serving communities in New York and New Jersey. One organization focuses

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- on tuition-free schools serving disadvantaged children, while the other two focus on public policies to improve LMI housing and neighborhood conditions.
- Three managing directors and a vice president served on the boards of nonprofits that provide safe housing, workforce development, and other social services for homeless women and their children within the assessment area.
  - A vice president serves on the board of a nonprofit organization that provides coaching and debt counseling for New York City's working poor population, helping LMI individuals build financial security and improve their financial mobility.
- GS Bank employees provided various events to help LMI individuals and small businesses. Below are some highlights:
    - Employees provided 11 instances of financial literacy training in collaboration with ten nonprofit organizations, including subjects such as college financing, budgeting, stocks, and banking products.
    - Employees provided 35 instances of workforce development events where the Bank provided students with mock interviews and discussed careers in finance and resume writing.
    - Employees volunteered at three small business related workshops, and participated in coaching and financial literacy sessions to help local entrepreneurs, including micro and small business owners, assess their business models.
    - Bank employees provided 53 instances of career mentorship helping students with tutoring, time management, career guidance, information on entry level jobs, and networking.
  - Further supporting its community development commitment, GS Bank has a small business initiative called “10,000 Small Businesses.” The program is a combination of education, capital, and business support services to address the barriers to business growth. As part of this initiative, GS Bank provided \$300 million to support community development financial institution loan funds and other community-based lenders to fill lending gaps in underserved communities.

To date, the initiative has served nearly 7,900 small business owners across the United States and Puerto Rico. The Bank has committed nearly \$150 million to 23 capital partners who have lent close to \$87 million, resulting in over 470 loans to small businesses.

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## **Innovative Practices**

GS Bank demonstrated an excellent level of innovative and/or flexible community development practices over the course of evaluation period.

The following are a few examples of such practices:

- Through the HUD Rental Assistance Demonstration (“RAD”) program, GS Bank provided financing via a construction loan and LIHTC equity to rehabilitate 1,395 affordable residential units at a New York City Housing Authority (“NYCHA”) property in Queens, NY. The RAD program is considered innovative and complex due to the complexity of Housing Assistance Payment (“HAP”) contracts that are 15 or 20 years long and the LIHTC component in the program.
- During the evaluation period, GS Bank provided LIHTC equity investments to finance development, acquisition, and rehabilitation of various affordable housing projects in its assessment area. LIHTC equity investments are complex financing structures as they require coordination with several state and federal housing agencies that award the tax credit allocation, as well as detailed asset monitoring to ensure compliance with IRS requirements, and financial reporting.
- The Bank made NMTC equity investments to finance construction, redevelopment, and rehabilitation of various commercial and mixed-use properties during the evaluation period. The NMTC projects provide economic development and neighborhood revitalization, which benefits LMI census tracts in the Bank’s assessment area. The NMTC program is innovative and complex, considering the broad range of businesses and projects that can utilize NMTC and the various types of sources that can be incorporated into capital structures.
- GS Bank provided HTC equity funding to assist rehabilitation and redevelopment of historic buildings in its assessment area. HTC is considered complex since it involves customized underwriting, regulatory, and tax requirements to obtain the tax credit.
- GS Bank is the lead investor in a multi-investor workforce housing fund that acquires stabilized, affordable, and mixed-income multifamily properties, primarily in New York City, with affordability restrictions and subsidies through HUD’s Project-Based Section 8 and New York State’s Mitchell Lama programs. The fund allows for the preservation of existing affordable housing which is a critical part of addressing the affordability crisis.
- GS Bank offers a loan loss reserve grant to community-based lenders through its 10,000 Small Business initiative. The grant allows the local lenders to build their capacity to provide small business lending with flexible underwriting and affordable pricing to businesses underserved by traditional lenders.

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

GS Bank demonstrated an excellent level of responsiveness to credit and community development needs.

During the current evaluation period, GS Bank continued its efforts to meet assessment area credit and community development needs through its direct investing and lending strategy to finance various community development projects. The Bank develops relationships with for-profit and nonprofit partners and provides loans and investments to facilitate community development projects with a focus on affordable housing, community services, job creation, and neighborhood revitalization.

GS Bank deploys a “one-stop shop” model to provide a broad range of debt and equity products. While community-based organizations and developers may be challenged by the time required to assemble various sources of financing and align different capital providers, GS Bank’s UIG directly provides capital and a diverse set of financial products through its one-stop shop platform.

GS Bank’s “10,000 Small Businesses” initiative continued to provide business management education, access to capital, and business support services to small business owners and entrepreneurs across the United States, including New York.

### **Additional Factors**

#### **The extent of participation by the banking institution’s Board of Directors/Trustees in formulating the banking institution’s policies and reviewing its performance with respect to the purposes of the CRA**

The GS Bank Board provided oversight of the Bank’s CRA program. The Board periodically reviewed the Bank’s CRA plan and received an overview of the Bank’s CRA strategy and performance prepared by the Bank’s UIG.

In addition, GS Bank’s executive management was closely involved in the CRA program. The Bank’s Management Committee (“BMC”) received regular updates on the CRA program from the head of UIG, who was also a member of the Bank’s BMC during a portion of the evaluation period.

The UIG implemented and tracked GS Bank’s CRA activity on a periodic basis and compared the progress to its peers in the assessment area annually. A CRA Self-Assessment was also conducted to track the effectiveness of the Bank’s community development activities.

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## **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 evidence of any practices 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.

## **The banking institution's record of opening and closing offices and providing services at offices**

During the evaluation period, the Bank did not open or close any branches in New York State.

## **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.*

GS Bank employs a range of approaches to reach out to the communities it serves, and all efforts are targeted towards identifying and addressing the needs of LMI individuals and areas. The Bank's outreach efforts include regular client meetings, participation on advisory boards focusing on community development issues, and regular outreach to senior management of municipal housing and economic development agencies in the Bank's assessment area. The Bank also participates on the boards of directors of local and national nonprofit groups that are active in LMI communities and attends and sponsors various community development conferences.

- *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 utilizes its extensive network of community and public sector partners that serve LMI geographies to raise awareness of its community development lending and investing products.

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**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**

During the evaluation period, GS Bank continued to take leadership roles in various large and transformative community projects in its assessment area. GS Bank achieves its CRA objectives by using a range of financial tools to deploy capital in a variety of complex, flexible, and innovative ways.

## **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.

<b>Income level of individual or geography</b>	<b>% of the area median income</b>
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 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.