



**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:** September 30, 2020

**Institution:** Bank of Baroda, New York Branch  
One Park Avenue  
New York, NY 10016-5082

**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 of Baroda, New York Branch (“BOBNYB” or the “Branch”) 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 September 30, 2020.

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

Part 76 of the General Regulations of the Superintendent (“GRS”) implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate institutions’ performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) Outstanding record of meeting community credit needs;
- (2) Satisfactory record of meeting community credit needs;
- (3) Needs to improve in meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary (“Evaluation”) be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

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

### **Overall CRA Rating: Satisfactory**

The Department evaluated BOBNYB's performance according to the community development test for wholesale or limited purpose banking institutions, pursuant to Section 76.11 of the GRS. The evaluation period covered October 1, 2018 to September 30, 2020. BOBNYB is rated "2" indicating a "**Satisfactory**" record of helping to meet community credit needs. This rating is an upgrade from the prior rating of "3" (Needs to Improve) that the Branch received in DFS's prior Performance Evaluation, as of March 31, 2016.

This rating is based on the following criteria:

### **Community Development Test:**

BOBNYB's community development performance demonstrated an adequate level of community development loans, qualified investments and services, considering the Branch's capacity and the need and availability of such opportunities for community development in its assessment area.

#### **Community Development Lending:**

During the evaluation period, BOBNYB originated \$15.5 million in new community development loans and had no such loans outstanding from prior evaluation periods.

#### **Qualified Investments:**

During the evaluation period, BOBNYB made \$57.2 million in new qualified investments and had no qualified investments outstanding from prior evaluation periods. In addition, the Branch made including \$320,000 in qualified grants.

#### **Community Development Services:**

During the evaluation period, BOBNYB demonstrated an adequate level of community development services during the evaluation period.

### **Innovative or Complex Practices**

BOBNYB did not engage in any innovative or flexible practices in its community development activities.

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

BOBNYB 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 GRS Part 76.*

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## PERFORMANCE CONTEXT

### Institution Profile

Chartered in 1978, BOBNYB is a branch of the Bank of Baroda (“BOB”), an Indian state-owned international banking and financial services company headquartered in Vadodara, India with its corporate office in Mumbai, India. BOB is the second largest bank in India. BOBNYB is the only branch of BOB in the United States.

BOBNYB provides services to facilitate international trade financing between businesses located in the United States and India. BOBNYB’s financing services provided to its U.S. and India-based customers include wire transfers, revolving lines of credit, syndicated loans, standby letters-of-credit, and short-term, self-liquidating loan facilities. BOBNYB engages in few consumer business lines. Retail products are limited to certificates of deposit and checking accounts.

In its “Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks,” as of June 30, 2020, filed with the Federal Deposit Insurance Corporation (“FDIC”), BOBNYB reported total assets of \$10.1 billion, of which \$6.6 billion were net loans and lease financing receivables. It also reported deposits of \$5.9 billion, resulting in a loan-to-deposit ratio (“LTD”) of 89.4%. According to the latest comparative deposit data, as of June 30, 2020, BOBNYB obtained a market share of 0.4% or \$5.9 billion in a market of \$1.7 trillion, ranking it 21<sup>st</sup> among 113 deposit-taking institutions in the assessment area.

The following is a summary of the Branch’s loan portfolio, based on BOBNYB’s December 31, 2018, and 2019 and June 30, 2020 Reports of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks.

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
Loan Type	12/31/2018		12/31/2019		6/30/2020	
	\$000's	%	\$000's	%	\$000's	%
Loans to Banks in Foreign Countries	4,550,843	66.2	5,167,319	64.1	3,983,533	60.7
Commercial & Industrial Loans	1,594,960	23.2	1,824,190	22.6	1,975,513	30.1
Loans to Commercial Banks in the U.S.	600,000	8.7	948,000	11.8	475,000	7.2
Loans to Other Financial Institutions	125,000	1.8	125,000	1.6	125,000	1.9
All Other Loans	2,856	0.0	0	0.0	0	0.0
<b>Total Gross Loans</b>	<b>6,873,659</b>	<b>100.0</b>	<b>8,064,509</b>	<b>100.0</b>	<b>6,559,046</b>	<b>100.0</b>

As illustrated in the above table, BOBNYB’s lending activities during the evaluation period were focused on loans extended to banks in foreign countries (60.7%) and commercial and industrial loans (30.1%).

*Examiners did not find evidence of financial or legal impediments that had an adverse impact on BOBNYB’s ability to meet the credit needs of its community.*

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## **Assessment Area**

BOBNYB's assessment area is comprised of Bronx, Kings, New York, Queens and Richmond counties.

There are 2,167 census tracts in the assessment area, of which 289 are low-income, 570 are moderate-income, 642 are middle-income, 600 are upper-income, and 66 are tracts with no income indicated.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	7	140	99	60	33	339	70.5
Kings	14	95	260	230	162	761	46.6
New York	15	34	57	21	161	288	31.6
Queens	27	16	146	303	177	669	24.2
Richmond	3	4	8	28	67	110	10.9
Total	66	289	570	642	600	2,167	39.6

## **Demographic & Economic Data**

The assessment area had a population of 8.4 million 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 1.9 million families in the assessment area, 32.5% were low-income, 16.2% were moderate-income, 15.7% were middle-income and 35.5% were upper-income. There were 3.1 million 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 3.4 million housing units within the assessment area, of which 39.4% were one-to-four family units and 60.4% were multifamily units. A majority (62%) of the area's housing units were rentals while 29% were owner-occupied.

Of the 2.1 million rental units, 52.3% were in LMI census tracts while 47.4% were in middle- and upper-income census tracts. Average monthly rent was \$1,342. Of the 991,350 owner-occupied housing units, 20.2% were in LMI census tracts while 79.6% were in middle- and upper-income census tracts. The median age of the housing stock was 72 years, and the median home value in the assessment area was \$536,278.

There were 831,503 non-farm businesses in the assessment area. Of these, 91% were businesses with reported revenues of less than or equal to \$1 million, 4.4% reported revenues of more than \$1 million and 4.7% did not report their revenues. Of all the businesses in the assessment area, 97.8% were businesses with less than fifty

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employees while 94.2% operated from a single location. The largest industries in the area were services (35.3%), retail trade (11.9%) and finance, insurance and real estate (9.8%); 29.1% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State and the assessment area decreased from 2018 to 2019. However, by September 2020, unemployment had increased dramatically due to the COVID-19 pandemic. As of September 30, 2020, the New York State's average unemployment rate was 10.6%. Additionally, all counties in the assessment area other than New York County had higher unemployment rates than New York State overall.

<b>Assessment Area Unemployment Rate</b>						
	Statewide	Bronx	Kings	New York	Queens	Richmond
2018	4.1	5.6	4.2	3.7	3.6	4.1
2019	3.8	5.3	4.0	3.4	3.4	3.8
9/30/2020	10.6	16.2	12.9	9.9	13.1	11.2
Average	6.2	9.0	7.0	5.7	6.7	6.4

### **Community Information**

DFS examiners conducted interviews with representatives of two nonprofit organizations within the Branch's assessment area that focus on community development through affordable housing, economic development, and various other community development initiatives. The interviews with these organizations helped identify essential credit needs within BOBNYB's assessment area.

One organization focused on fulfilling the housing needs of LMI immigrant families from Southeast Asia and the Caribbean. The organization's representative stated that many of the individuals that it serves work in the cash economy or have lower-income jobs such as driving taxis or ride share vehicles. As a result, many individuals do not have bank accounts or any meaningful savings, and many also have poor credit histories.

The representative stated that as a result, many individuals and families were forced to live in substandard or even illegal housing units, often paying their rent in cash. While these individuals are interested in homeownership, their poor credit histories and onerous down payment requirements make mortgage financing difficult to obtain.

The representative also stated that while area banks provided useful homeownership workshops, they could do more to help the community, such hiring staff who speak the community's languages, being more flexible about identification requirements, refraining from closing branches, and more conspicuously advertising low-cost deposit products.

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The second organization seeks to provide economic opportunities to underserved communities in the assessment area. The organization's representative stated that many members of these communities work in industries or own businesses severely affected by the covid pandemic, resulting in higher unemployment. Many community residents expressed fears of being evicted due to non-payment of rent (notwithstanding the eviction moratorium). Other community members have jobs considered essential, but lack appropriate childcare.

The representative stated that while local and national financial institutions have provided helpful grants and services, they could make more small business loans.

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## **PERFORMANCE TEST AND ASSESSMENT FACTORS**

The Department evaluated BOBNYB under the wholesale banking institution performance standards pursuant to the “community development test,” as provided in GRS Section 76.11.

*Performance criteria include:*

- (1) the number and amount of community development loans, qualified investments or community development services;*
- (2) the use of innovative or complex qualified investments, community development loans or community development services and the extent to which investments are not routinely provided by private investors; and*
- (3) the banking institution’s responsiveness to credit and community development needs.*

*In addition, the following factors are also considered in assessing BOBNYB’s record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications; evidence of prohibited discriminatory or other illegal credit practices; the Bank’s record of opening and closing offices and providing services at offices; 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.*

The evaluation period for this evaluation is October 1, 2018 through September 30, 2020.

At its prior Performance Evaluation, as of March 31, 2016, DFS assigned BOBNYB a rating of “3,” reflecting that it needed to improve its record of helping to meet community credit needs.

**Current CRA Rating:** Satisfactory

### **Community Development Test:**

BOBNYB’s community development performance demonstrated an adequate level of community development loans, qualified investments and community development services, considering BOBNYB’s capacity and the need and availability of such opportunities for community development in its assessment area.

BOBNYB’s community development lending for the evaluation period increased to \$15.5 million from \$6.1 million at the prior evaluation, and its qualified investment activities increased to \$57.2 million from \$2 million. There were no community development loans or qualified investments outstanding from prior evaluation periods. Additionally, BOBNYB made \$320,000 in community development grants during the period. BOBNYB’s community development service activities were adequate.

A more detailed description of the Branch's community development activities follows.

Community Development Lending:

During the evaluation period, BOBNYB originated \$15.5 million in new community development loans and had none outstanding from prior evaluation periods. BOBNYB's lending was comprised of overdraft lines of credit extended to affordable housing organizations and women-owned businesses and the renewal of a term loan to a small business.<sup>1</sup>

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	2	12,500		
Economic Development	3	3,047		
Community Services				
Other (Please Specify)				
<b>Total</b>	<b>5</b>	<b>15,547</b>	<b>0</b>	<b>0</b>

Below are highlights of BOBNYB's community development lending:

- BOBNYB twice renewed a \$750,000 overdraft facility for a woman-owned small business that helps in economic development.
- BOBNYB renewed three times a \$4 million overdraft facility for a nonprofit organization that creates and preserves affordable housing and provides homeownership education and financial education in underserved neighborhoods.

Qualified Investments:

During the evaluation period, BOBNYB made \$57.2 million in new qualified investments and had no outstanding balances from prior evaluation periods. In addition, BOBNYB made \$320,000 in qualified grants.

Total investments of \$57.2 million reflected a substantial increase of \$55.2 million compared to the prior evaluation's \$2 million.

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<sup>1</sup>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 exam.

Qualified Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	34	50,757		
Economic Development	12	6,426		
Community Services				
Other (Please Specify)				
<b>Total</b>	<b>46</b>	<b>57,183</b>	<b>0</b>	<b>0</b>
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	15	149		
Economic Development	8	36		
Community Services	10	135		
Other (Please Specify)	0	0		
<b>Total</b>	<b>33</b>	<b>320</b>		

Below are highlights of BOBNYB's qualified investments and grants:

- BOBNYB invested approximately \$50.8 million in 34 mortgage-backed securities. The securities were collateralized by residential mortgage loans made to LMI borrowers in BOBNYB's assessment area.
- BOBNYB renewed or invested a total of \$6.4 million in certificates of deposit at five certified community development institutions ("CDFI") providing community-focused banking services that support the economic viability and development of underserved neighborhoods.
- BOBNYB donated \$135,000 to organizations that provide various community services to LMIs individuals and groups.
- BOBNYB donated \$149,000 to organizations that create and preserve affordable housing.

*Community Development Services:*

BOBNYB demonstrated an adequate level of community development services over the course of the evaluation period. DFS examiners noted that in particular, Branch executives provided services to organizations that seek to revitalize underserved neighborhoods by creating and preserving affordable housing and providing opportunities for homeowners' education, financial assistance and community leadership.

Below are highlights of BOBNYB's community development services.

- BOBNYB's chief executive officer served on the advisory board of a nonprofit affordable housing organization in New York City during the evaluation period.
- A BOBNYB executive was a member of the Audit Committee of a nonprofit affordable housing organization in Brooklyn.
- Various BOBNYB employees volunteered with an organization in the assessment area that provides individual mentoring to LMI youth.

### **Innovative Practices**

BOBNYB did not engage in any innovative or flexible practices in its community development activities.

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

BOBNYB demonstrated an adequate level of responsiveness to credit and community development needs, given BOBNYB's overall growth in assets, increase in qualified lending, investments and community development services.

### **Additional Factors**

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

BOBNYB's CRA performance is monitored and coordinated by the New York Performance Monitoring Committee, which is chaired by the Chief Executive, with other executive officers serving as members. This committee reviews the CRA policy and the Branch's self-assessment annually.

#### **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 the institution.

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

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

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

## services at offices

The Branch has not opened or closed any branches since the prior evaluation. As a wholesale institution, BOBNYB does not offer retail services.

## 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.

BOBNYB identifies credit needs of its community primarily by maintaining close associations with nonprofit organizations that operate in underserved neighborhoods in the assessment area.

- 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

BOBNYB has no direct programs or special credit-related programs to market its products and services to the LMI communities in its assessment area. Instead, it works with nonprofit organizations operating in its assessment area.

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

DFS noted no other factors.

## **GLOSSARY**

### **Aggregate Lending**

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

### **Banking Development District (“BDD”) Program**

The BDD Program is a program designed to encourage the establishment of bank branches in areas across New York State where there is a demonstrated need for banking services, in recognition of the fact that banks can play an important role in promoting individual wealth, community development, and revitalization. Among others, the BDD Program seeks to reduce the number of unbanked and underbanked New Yorkers and enhance access to credit for consumers and small businesses. More information about the program, may be found at <https://www.dfs.ny.gov> and search for the BDD Program.

### **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 Block Numbering Areas (“BNAs”) and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

## **LMI Borrowers**

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all

instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

### **LMI Individuals/Persons**

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

### **LMI Penetration Rate**

A number that represents the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

### **Low-Income Housing Tax Credit (“LIHTC”)**

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer’s federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

### **Minority Depository Institutions (“MDIs”)**

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

### **New Markets Tax Credit (“NMTC”)**

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use

substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

### **Paycheck Protection Program ("PPP") Loans**

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

### **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.