



**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT**

**PERFORMANCE EVALUATION**

**OF**

**BANK HAPOALIM B.M. – NEW YORK BRANCH**

**SEPTEMBER 30, 2021**

New York State Department of Financial Services  
Consumer Protection and Financial Enforcement Division  
One State Street, New York NY 10004

**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” 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, 2021.

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**

The Department evaluated BHNY'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 July 1, 2018 through September 30, 2021. BHNY is rated "2," indicating a "Satisfactory" record of helping to meet community credit needs. This rating is the same rating the Branch received in its prior DFS's Performance Evaluation, dated June 30, 2018.

This rating is based on the following criteria:

### **Community Development Test:**

BHNY's community development performance demonstrated a reasonable 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, BHNY originated \$83.7 million in new community development loans, and had \$36.4 million outstanding from prior evaluation periods.

#### *Qualified Investments:*

During the evaluation period, BHNY made \$34.6 million in new qualified investments and had \$11 million outstanding from prior evaluation periods. In addition, the Branch made \$413,950 in grants.

#### *Community Development Services:*

During the evaluation period, BHNY provided 7 instances of community development services, which included providing financial education to adults and high school students, as well as participating in an internship program for low-income high school students.

### **Innovative or Complex Practices:**

BHNY did not use innovative or flexible community development practices.

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

BHNY demonstrated a reasonable 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

BHNY is a New York State-chartered and Federal Deposit Insurance Corporation (“FDIC”) insured foreign branch operating in New York, New York. BHNY is a branch of Bank Hapoalim B.M., which is headquartered in Israel.

BHNY is a designated a wholesale institution for CRA purposes. The Branch does not originate or purchase residential mortgage, home improvement, or small business loans for retail customers, except as an accommodation for its existing clients. The Branch primarily focuses in extending credit and treasury banking services to large Israeli companies operating in the United States, as well as to local companies and clients. BHNY provides services that include credit, foreign trade, investments, cash management, online banking and insurance. The Branch also offers time deposits, money market deposit accounts, sweep accounts, zero balance accounts, as well as revolving lines of credit, term loans and letters of credit.

In its Assets and Liabilities Report, filed with the FDIC, BHNY reported total assets of \$8.9 billion, of which \$4.4 billion were net loans and lease financing receivables. It also reported total deposits of \$3.5 billion, resulting in an LTD ratio of 125.7%. According to the comparative deposit data as of June 30, 2021, BHNY had a market share of 0.19%, or \$3.5 billion in a market of \$1.8 trillion, ranking it 31<sup>st</sup> among 110 deposit-taking institutions in the assessment area.

The following is a summary of BHNY’s loan portfolio, based on Schedule RC-C of December 31, 2018, 2019, 2020 and September 30, 2021 Report of Assets and Liabilities:

<b>TOTAL GROSS LOANS OUTSTANDING</b>								
Loan Type	12/31/2018		12/31/2019		12/31/2020		9/30/2021	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	85,602	2.3	88,810	2.3	105,431	2.5	113,061	2.3
Commercial & Industrial Loans	2,076,905	55.5	2,014,556	52.0	1,841,625	44.3	2,348,694	48.5
Commercial Mortgage Loans	851,346	22.8	984,582	25.4	1,131,966	27.2	1,219,233	25.2
Multifamily Mortgages	235,938	6.3	252,518	6.5	399,841	9.6	403,555	8.3
Construction Loans	486,119	13.0	528,746	13.6	652,613	15.7	736,435	15.2
Other Loans	5,681	0.2	6,939	0.2	24,626	0.6	24,716	0.5
<b>Total Gross Loans</b>	<b>3,741,591</b>		<b>3,876,151</b>		<b>4,156,102</b>		<b>4,845,694</b>	

As illustrated in the above table, BHNY is primarily a commercial lender, with 82% of its loan portfolio in commercial and industrial loans, commercial mortgage loans and multifamily loans as of September 30, 2021.

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

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## **Assessment Area**

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

There are 2,057 census tracts in the assessment area, of which 285 are low-income, 562 are moderate-income, 614 are middle-income, 533 are upper-income, and 63 are tracts with no income indicated. LMI census tracts comprise approximately 41% of the Branch's assessment area, a slight decrease from the prior evaluation, when 46% of the assessment area consisted of LMI census tracts. This change is a result of a change in some census tracts' income level designation.

<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	71%
Kings	14	95	260	230	162	761	47%
New York	15	34	57	21	161	288	32%
Queens	27	16	146	303	177	669	24%
Total	63	285	562	614	533	2,057	41%

## **Demographic & Economic Data**

The assessment area had a population of 7.9 million during the evaluation period. Approximately 12.6% of the population was over the age of 65 and 19% was under the age of 16.

Of the 1,742,525 families in the assessment area, 33.5% were low-income, 16.5% were moderate-income, 15.6% were middle-income and 34.5% were upper income. There were 2,947,751 households in the assessment area, of which 19.8% had income below the poverty level and 4.2% were on public assistance.

The weighted average median family income in the assessment area was \$69,349.

There were 3,244,089 housing units within the assessment area, of which 36.8% were one- to four-family units and 63% were multifamily units. A majority (63.8%) of the housing units were rental units, and 27% were owner-occupied.

Of the total 2,070,401 rental-occupied units, 53% were in LMI census tracts while 47.7% were in middle- and upper-income census tracts. Average monthly gross rent was \$1,347.

Of the 877,350 owner-occupied housing units, 22% were in LMI census tracts while 77.7% were in middle- and upper-income census tracts. The median age of the housing stock was 74 years, and the median home value in the assessment area was \$541,839.

There were 794,884 non-farm businesses in the assessment area. Of these, 90.9% 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 employees while 94.1% operated from a single location. The largest industries in the area were services (35.1%), retail trade (11.9%), and finance, insurance and real estate (9.9%); 29.3% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, unemployment rates for New York State and all counties in the BHNY’s assessment area declined between 2018 and 2019, but significantly increased from 2019 to 2020. This increase was due to the COVID-19 pandemic. While unemployment rates in 2021 improved, they remained well above 2018 and 2019 levels. New York County had the lowest annual unemployment rates during the evaluation period, while the annual unemployment rates for Bronx County were the highest.

<b>Assessment Area Unemployment Rate</b>					
	Statewide	Bronx	Kings	New York	Queens
2018	4.1	5.6	4.2	3.7	3.6
2019	3.8	5.3	4.0	3.4	3.4
2020	10.0	16.0	12.5	9.5	12.5
9/30/2021	6.3	12.4	9.2	6.9	8.6
<b>Average of above</b>	<b>6.1</b>	<b>9.8</b>	<b>7.5</b>	<b>5.9</b>	<b>7.0</b>

**Community Information**

DFS examiners conducted community contact interviews with representatives from two nonprofit organizations in BHNY’s assessment area.

Examiners interviewed the executive director of an organization that fights for racial and economic justice for individuals and families. The organization, located in Bronx County, works with tenants who are treated unfairly by their landlords. The organization’s executive director noted that the area is highly underbanked. Many of the local financial institutions offer few or no services or products flexible enough to cater to the underbanked individuals. He also expressed concern about local financial institutions originating loans for multifamily properties above their market value to landlords who are on the worst landlord lists, and tenant displacement. He stated that local financial institutions can help their communities by offering affordable banking products and services for the underbanked low-income earners and flexible small loan programs.

Examiners also interviewed the business assistance manager of a nonprofit organization located in Queens County whose purpose is to retain businesses, attract new businesses and provide support to existing businesses through their business assistance programs. The interviewee noted that small businesses in the community need access to capital. He stated that local financial institutions need to do more to assist businesses and ensure they have access to federal programs, such as the Paycheck Protection Program. He noted that there are opportunities for banks to provide grants.

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## **PERFORMANCE TEST AND ASSESSMENT FACTORS**

The Department evaluated BHNY 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, 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 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; the Branch’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 consisted of the period from July 1, 2018, through September 30, 2021.

At its prior Performance Evaluation as of June 30, 2018, 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:**

BHNY community development performance demonstrated a reasonable level of community development loans and qualified investments considering BHNY’s capacity and the need and availability of such opportunities for community development in its assessment area.

### **Community Development Lending:**

BHNY originated \$83.7 million in new community development loans and had \$36.4 million outstanding from prior evaluation periods. The Branch’s total community development loans were \$37 million annually, a decline of 23% from the prior five-year evaluation period, when the Branch originated \$48.1 million annually in community development loans.



<b>Community Development Loans</b>				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	0		0	0
Economic Development	2	15,000	2	26,287
Community Services	7	37,200	0	0
Revitalize/Stablize	4	31,500	1	10,122
<b>Total</b>	<b>13</b>	<b>83,700.0</b>	<b>3</b>	<b>36,409.0</b>

Below are highlights of BHNY community development lending.

- BHNY renewed a \$7.5 million line of credit three time during the evaluation period for a total of \$22.5 million. The line of credit was made to a nonprofit organization that provides services and programs such as substance abuse recovery, reentry to society after incarceration, health and mental health support, temporary housing and shelter for the homeless, permanent housing, employment training and senior support.
- BHNY extended term loans totaling \$16 million to finance the acquisition of a commercial property located in a low-income census tract in New York City. The property contains a bank branch and helps to revitalize and stabilize the area.
- BHNY extended two lines of credit totaling \$15 million to an organization located in a moderate-income census tract in the Bronx NY. The organization aids in permanent job creation and retention for low- and moderate-income individuals.

Qualified Investments:

During the evaluation period, BHNY made \$34.6 million in new qualified investments and had \$11 million outstanding from prior evaluation periods. In addition, the Branch made \$413,950 in grants. A majority of BHNY’s qualified investments consisted of certificates of deposit made in community development financial institutions (“CDFI”).

When annualized, BHNY’s total qualified investments and grants were \$14.2 million for this evaluation period, an increase of 42% from the prior evaluation period, during which the Branch originated \$10 million annually in qualified investments and grants.

Qualified Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments			3	6,062
Affordable Housing			1	5,000
Economic Development	25	34,640		
Community Services				
Other (Please Specify)				
<b>Total</b>	<b>25</b>	<b>34,640</b>	<b>4</b>	<b>11,062</b>
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	6	19		
Economic Development				
Community Services	58	385		
Revitalize/Stabilize	2	10		
<b>Total</b>	<b>66</b>	<b>414</b>		

Below are highlights of BHNY's qualified investments and grants.

Investments

- BHNY invested a total of \$24.5 million in certificates of deposit that are renewed annually with a CDFI that is also a minority depository institution. The CDFI, located in a moderate-income census tract in New York City, serves the banking and credit needs of the underserved, targeting mostly LMI residents and small businesses.
- BHNY invested a total of \$810,000 in certificates of deposit in two credit unions that are also CDFIs during the evaluation period. The CDFIs primarily serve low-income residents and small businesses in New York City.
- BHNY invested a total of \$8.7 million in municipal bonds during the evaluation period. The bonds supported economic development projects that help small businesses create and retain jobs for low- and moderate-income individuals.

Grants

- BHNY made five donations for a total of \$188,000 to a foundation that provides support services to LMI individuals who have difficulties with substance abuse and gambling disorders. To date, the foundation has helped more than 6,000 individuals and families.
- BHNY made three grants totaling \$31,750 to a nonprofit organization that assists individuals through job placement, mental health counseling as well as providing clothing and food.

- BHNY made two donations for a total of \$13,000 to an organization that provides financial education to educates students. The program is designed to educate 5<sup>th</sup> to 8<sup>th</sup> graders about fundamental financial skills and responsibilities.
- BHNY made two grants totaling \$10,000 to a nonprofit community development financial institution that offers various support programs to help underserved communities. Services include affordable housing, economic development, education, and financial stability programs.
- BHNY made donations totaling \$8,000 to an organization that offers low-interest loans to homeowners in underserved low- and moderate-income neighborhoods and provides financial and homeownership education to residents in these neighborhoods.

*Community Development Services:*

BHNY’s personnel provided seven instances of community development services in the form of financial education to adults, and high school students, an internship for low-income high school students and legal assistance to a school that teaches English to immigrants.

<b>Community Development Services</b>	
<b>Activity Type</b>	<b>Number of Activities</b>
On-Going Board & Committee Memberships	1
Legal & Technical Assistance	1
Financial Seminars	3
Credit Counseling	
Other Services (internship)	2
<b>Total Community Development Services</b>	<b>7</b>

Below are highlights of BHNY’s community development services.

- BHNY’s CRA officer provided financial education to teens and adults through a nonprofit organization whose mission is to help consumers, particularly the vulnerable population, understand and improve their ability to manage their financial affairs.
- In 2018, and 2019, BHNY participated in an internship program for students from a high school that serves students from low-income families. The students intern at the Branch and are trained by bank personnel on various financial products and services.
- A member of BHNY’s legal staff provided financial and legal advice to a school that teaches new immigrants conversational and academic English. The school serves students in grades 9-12 and is located in a low-income census tract in Bronx County.

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**Innovative Practices:**

During the evaluation period, BHNY did not use innovative or flexible community development practices.

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

BHNY demonstrated a reasonable level of responsiveness to credit and community development needs.

**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**

BHNY's CRA activities are monitored by the CRA committee, whose members are appointed by the Branch's executive committee. The CRA committee meets twice a year, reviews the Branch's ongoing CRA activities and assesses CRA performance in line with the Branch's strategic business plan. The CRA officer develops the annual CRA plan and issues a quarterly CRA report, which details all new community development loans, investments and services. This report is submitted to the CRA committee for their review. The internal audit and compliance departments both audit the CRA activity periodically and provide reports to the CRA committee and senior management. The CRA program is presented to the Branch's executive management committee on an annual basis.

**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 evidence of 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**

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.*

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*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 activities to ascertain the credit needs of its community include branch employees' feedback based on their interaction as volunteers with nonprofit community groups and organizations. Furthermore, the Branch ascertains community credit needs through outreach and ongoing involvement with various community development organizations in its 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*

BHNY as a wholesale bank does not use direct marketing. Instead it relies mostly on community outreach activities, such as conferences and meetings with nonprofit organizations, local community groups and CDFIs to make members of the community aware of its credit services and 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.

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## **GLOSSARY**

### **Aggregate Lending**

“Aggregate lending” means 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” means:

- Affordable housing (including multifamily housing) for LMI individuals;
- Community services targeted to LMI individuals;
- 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;
- Activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved metropolitan middle-income geographies designated by the Board of Governors of the federal Reserve System, FDIC and the Office of Comptroller of the Currency; and
- Activities that seek to prevent defaults and/or foreclosures in loans included in the first and third bullet points above.

### **Community Development Loan**

“Community development loan” means 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 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**

“Community development service” means a 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.

### **Community Development Financial Institution (“CDFI”)**

A CDFI is a financial institution that provides credit and financial services to underserved markets and populations and has a primary mission of community development, serves a target market, is a financing entity, provides development services, remains accountable to its community, and is a non-governmental entity. CDFIs are certified as such by United States Treasury Department’s CDFI Fund.

### **Fair Market Rents (“FMRs”)**

Fair Market Rents are published and developed annually by the US Department of Housing and Urban Development (“HUD”) and used to determine rent payments for affordable housing projects such as Section 8 contracts in defined metropolitan statistical areas (“MSAs”) nationwide. For easy reference of annual FMRs in New York MSAs or counties, go to [www.huduser.gov/portal/datasets/fmr.html](http://www.huduser.gov/portal/datasets/fmr.html)

### **Geography**

“Geography” means 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.

### **LMI Geographies**

“LMI geographies” means those census tracts or block numbering areas where, according to the most current 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**

“LMI borrowers” means 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 Federal Financial Institutions Examination Council (“FFIEC”).

### **LMI Individuals/Persons**

“LMI individuals” or “LMI persons” means 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 the FFIEC.

### **LMI Penetration Rate**

“LMI penetration rate” means the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, if a bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers, the penetration rate would be 20%.

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

LIHTC were 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. The tax credits provide a dollar-for-dollar reduction in a taxpayer’s federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

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

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

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

The NMTC Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits 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 CDFI Fund, an agency of the United States Department of the Treasury.

### **Qualified Investment**

“Qualified investment” means a lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

### **Paycheck Protection Program (“PPP”) Loans**

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