



PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT

PERFORMANCE EVALUATION

OF

STATE BANK OF INDIA, NEW YORK BRANCH

AS OF MARCH 31, 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 State Bank of India New York Branch (“SBINY” 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 March 31, 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.

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall CRA Rating: Satisfactory

The Department evaluated SBINY's performance according to the community development test for wholesale or limited purpose banking institutions pursuant to Section 76.11 of the General Regulations of the Superintendent. The evaluation period covered January 1, 2018 through March 31, 2021. SBINY is rated "2" indicating a "Satisfactory" record of helping to meet community credit needs. This rating is the same rating of "Satisfactory" the Branch received in its prior DFS's Performance Evaluation dated December 31, 2017.

Community Development Test:

SBINY'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

SBINY purchased or renewed \$19.9 million in new community development loans and had no loans outstanding from prior evaluation periods.

Qualified Investments

SBINY made \$77.9 million in new qualified investments and had \$55.7 million in investments outstanding from prior evaluation periods. In addition, the Branch made \$0.3 million in qualified grants.

Community Development Services

SBINY management provided approximately 990 hours of community development services.

Innovative or Complex Practices:

SBINY did not use innovative or flexible community development practices.

Responsiveness to Credit and Community Development Needs:

SBINY 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.

PERFORMANCE CONTEXT

Institution Profile

SBINY is a foreign branch of the State Bank of India (“SBI”), which is the largest commercial bank in India. SBINY is located at 460 Park Avenue, New York, and has no affiliates. SBINY is designated as a wholesale bank for CRA purposes.

SBINY primarily offers loans that include commercial lines of credit, syndicated commercial loans, letters of credit, standby letters of credit, foreign currency loans, and correspondent banking. The Branch offers some retail deposit products that include checking accounts, money market accounts, and certificate of deposits, and services that include remittance, wire transfers, and internet banking. The Branch does not engage in residential lending.

In its Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks, as of March 31, 2021, filed with the Federal Financial Institutions Examination Council (“FFIEC”), SBINY reported total assets of \$12.5 billion, of which \$9 billion were net loans and lease financing receivables. It also reported total deposits of \$8.1 billion, resulting in a loan-to-deposit ratio of 111.8%. According to the latest available comparative deposit data as of June 30, 2020, SBINY had a market share of 0.5%, or \$7.8 billion in a market of \$1.7 trillion, ranking it 17th among 113 deposit-taking institutions in the assessment area.

The following is a summary of the Branch’s loan portfolio, based on Schedule C of the Branch’s December 31, 2018, 2019, 2020 and March 31, 2021 Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks:

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	12/31/2018		12/31/2019		12/31/2020		3/31/2021	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Commercial & Industrial Loans	3,528,334	51.9	5,006,283	59.5	5,538,515	66.0	5,260,328	58.2
Commercial Mortgage Loans	121,429	1.8	121,241	1.4	126,164	1.5	107,248	1.2
Loans to Other Financial Institutions	284,000	4.2	497,000	5.9	468,000	5.6	1,264,000	14.0
Loans to Depository Institutions and Acceptances of Other Banks	2,838,584	41.8	2,762,029	32.8	2,216,931	26.4	2,360,266	26.1
Construction Loans	10,714	0.2	20,941	0.2	34,581	0.4	36,666	0.4
Other Loans	9,820	0.1	9,882	0.1	9,630	0.1	9,500	0.1
Total Gross Loans	6,792,881		8,417,376		8,393,821		9,038,008	

As illustrated in the above table, SBINY is primarily a commercial and industrial lender with 58.2% of its loan portfolio in commercial and industrial loans, followed by 26.1% of loans made to depository institutions and acceptances of other banks.

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

Assessment Area

SBINY’s assessment area is comprised of the following counties: Bronx, Kings, New York, Queens, and Richmond, which make up the five boroughs of New York City.

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.

Assessment Area Census Tracts by Income Level							
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 1,865,277 families in the assessment area 32.6% were low-income, 16.3% were moderate-income, 15.7% were middle-income and 35.5% were upper-income families. 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. A majority (62%) of the area’s housing units were rental occupied-units, while 29% were owner-occupied.

Of the total 2,122,185 rental units, 52.3% were in low- and moderate-income (“LMI”) census tracts while 47.4% were in middle- and upper-income census tracts. Average monthly gross 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 73 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, 98% were businesses with less than fifty 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 & 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 rates for New York State and the five counties in the assessment area significantly increased in 2020, due to the onset and persistence of the COVID-19 pandemic resulting in many businesses closing and substantial layoffs. During the evaluation period Bronx County reported the highest rates of unemployment.

Assessment Area Unemployment Rate						
	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
2020	10.0	16.0	12.5	9.5	12.5	10.6
Average of the Years Above	6.0	9.0	6.9	5.5	6.5	6.2

Community Information

As a part of the evaluation, DFS examiners conducted community contact interviews with the president and chief executive operating officer of a community development financial institution (“CDFI”) and the chief operating officer of a nonprofit organization to better ascertain the credit needs and opportunities within the assessment area.

The CDFI’s services include job placement assistance, educational and training opportunities, special needs housing, business services, and technical assistance to small business owners, including minority-owned businesses. The CDFI’s representative indicated that many individuals in the community do not have bank accounts and prefer using check cashing services. The representative also stated that some cash-based businesses do not have banking relationships due to their lack of knowledge on how to obtain credit from banks. Lastly, the representative noted that small banks have been more helpful and responsive than the larger financial institutions to the CDFI’s financial needs.

The nonprofit organization is committed to assisting low-income individuals in some of the poorest neighborhoods in Kings County. The representative remarked that there is a high demand for banking services in underserved and underbanked areas such as East New York, Brownsville, and Coney Island. Residents of these neighborhoods include seniors who have to travel outside their neighborhood to downtown Brooklyn for their banking needs. The representative recommended that banks provide automated teller machines (“ATMs”) to help people in these communities gain access to banking services.

In addition, both representatives cited the need for more banking services in underserved and underbanked communities, financial education, and technical assistance for small businesses, as well as more partnerships with local community development organizations.

PERFORMANCE TEST AND ASSESSMENT FACTORS

DFS evaluated SBINY under the wholesale banks performance standards pursuant to the “community development test,” as provided in Section 76.11 of the General Regulations of the Superintendent. 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 SBINY’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 assessment period covered the period from January 1, 2018, through March 31, 2021.

At its prior Performance Evaluation as of December 31, 2017, DFS assigned SBINY a rating of “2,” reflecting a “Satisfactory” record of helping to meet community credit needs.

Current CRA Rating: Satisfactory

Community Development Test:

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

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

Community Development Lending

During the evaluation period, SBINY purchased or renewed community development loans totaling \$19.9 million and had no loans outstanding from prior evaluation periods.¹ A substantial majority of SBINY’s community development loans supported small businesses within the Branch’s assessment area.

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

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	1	4,900	0	0
Economic Development	30	14,984	0	0
Community Services	0	0	0	0
Revitalization/Stabilization	0	0	0	0
Total	31	19,884	0	0

Below are highlights of SBINY’s community development lending.

- SBINY purchased 27 small business loans totaling \$7.4 million. These loans, which were guaranteed by the Small Business Administration (“SBA”), supported small businesses that employ LMI individuals and are located in the Branch’s assessment area.
- The Branch extended a \$4.9 million line of credit to an organization that offers financial and homeownership education, loan origination, and mortgage facilitation to support sustainability and homeownership for the underserved.
- SBINY extended a \$3 million line of credit to a nonprofit CDFI that offers financial services to low- and moderate-income and immigrant communities in New York City. The CDFI offers low-interest small business loans, as well as training and counseling to help start-up and existing small business owners achieve their goals.

Qualified Investments

During the evaluation period, SBINY made \$77.9 million in new qualified investments and had \$55.7 million in investments outstanding from prior evaluation periods. In addition, the Branch made \$0.3 million in qualified grants. SBINY’s qualified investments served the community development purpose of affordable housing. These investments were primarily made via investments in mortgage-backed securities (“MBS”) collateralized by multifamily properties providing affordable housing for LMI individuals.

Qualified Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
CD Investments	# of Inv.	\$000	# of Inv.	\$000
Affordable Housing	28	77,922	43	55,705
Economic Development				
Community Services				
Revitalization & Stabilization				
Total	28	77,922	43	55,705
CD Grants	# of Grants	\$000	<i>Not Applicable</i>	
Affordable Housing	11	110		
Economic Development	8	80		
Community Services	13	115		
Revitalization & Stabilization				
Total	32	305		

Below are highlights of SBINY’s qualified investments and grants.

Investments

- SBINY invested \$17 million in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association (“Fannie Mae”) MBS that were collateralized by residential mortgage loans made to LMI borrowers within the assessment area.
- The Branch invested \$6.8 million in a Fannie Mae MBS that funded the mortgage of a multifamily property located in moderate-income census tract in Kings County, providing affordable rental housing for LMI individuals and families.
- The Branch invested \$6.7 million in a MBS that supported the acquisition and rehabilitation of public housing buildings located in New York County, providing affordable housing for LMI residents.
- The Branch invested \$6.7 million in a Fannie Mae MBS that was secured by mortgages on multifamily residential properties located in low-income census tracts in Bronx County that provide affordable housing for LMI individuals and families.

Grants

- SBINY donated \$30,000 to a nonprofit organization that partners with government agencies, local residents, and businesses to provide various community services for low-income individuals. Services and programs include lending and housing services, counseling, education for first-time homebuyers, and landlord training.
- The Branch donated \$25,000 to a nonprofit organization that provides a wide range of services to LMI residents, including the diverse immigrant populations in Kings County. The organization offers career and education services, youth and family services, housing counseling, childcare and after-school programs.

- SBINY donated \$20,000 to a nonprofit organization that connects persons experiencing homelessness and victims of domestic violence with services and safe, permanent affordable housing.
- The Branch donated \$20,000 to an organization whose focus is expanding homeownership opportunities to LMI individuals and families, including minorities. The organization provides one-on-one counseling, foreclosure prevention programs, loan services, closing cost grants and down payment assistance.
- SBINY donated \$20,000 to a nonprofit organization committed to improve LMI and immigrant communities in the greater New York City area through low-interest small business loans and by providing counseling services, financial literacy, technical assistance to business owners, including minority and women-owned businesses.

Community Development Services

During the evaluation period, SBINY management served on the boards or committees of community development organizations that provide services to LMI individuals and communities. In addition, the Branch provided technical assistance and training to small business owners and entrepreneurs. SBINY provided five community development services for approximately 990 hours during the evaluation period.

Summary of Community Development Services	
Activity Type	Number of Activities
On-Going Board & Committee Memberships	2
Technical Assistance[1]	3
Seminars	
Credit Counseling/Programs	
Other Services	
TOTAL Community Development Services	5

Below is a description of SBINY’s community development services.

- SBINY’s senior compliance officer serves on the board of a nonprofit organization whose focus is improving the lives of low-income families and victims of domestic violence through safe and affordable housing.
- The Branch’s senior compliance officer also serves on the board of a nonprofit organization that works to improve the quality of life and increase business and commercial activities through the creation of programs to strengthen local businesses in the assessment area.
- The Branch’s CRA officer and vice president provided small business counseling and entrepreneurship skills training to a nonprofit organization that provides job training, employment opportunities, life skills training, and affordable rental housing for LMI families, the homeless, and the disabled.

Innovative Practices:

SBINY did not use innovative or flexible community development practices.

Responsiveness to Credit and Community Development Needs:

SBINY 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**

SBINY's CRA officer is responsible for managing the Branch's CRA program. The CRA officer provides monthly updates to the branch compliance monitoring committee and quarterly updates to the CRA committee, which is made up of the CEO, CRA officer, department heads, and representatives from the Branch's United States operations who review and discuss the Branch's community development activities and CRA performance within the assessment area. Annually, SBINY's CRA program is reviewed and approved by the head office in Mumbai, India.

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

SBINY has not opened or closed any branches since the prior evaluation. SBINY does not offer retail services at its offices.

Process Factors

- *Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.*

SBINY ascertains the credit needs of its community through its involvement with various community development organizations in the assessment area. Through participation in community development services and involvement in charitable organizations, the Branch ascertains the credit needs of its community, as well as assesses community development lending and investments opportunities.

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

As a wholesale bank, SBINY does not market its retail products and services. However, the Branch makes the community aware of services and products offered through its ongoing interaction with several organizations involved in a variety of community development programs and services.

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

“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

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.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

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 (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%.