



PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION OF INTERAUDI BANK

AS OF MARCH 31, 2022

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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INTERAUDI BANK – CRA PERFORMANCE EVALUATION

I - GENERAL INFORMATION

This document is an evaluation (the “Evaluation”) of the Community Reinvestment Act (“CRA”) performance of Interaudi Bank (“IB” or the “Bank”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This Evaluation represents the Department’s current assessment and rating of the Bank’s CRA performance based on an evaluation conducted as of March 31, 2022.

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 banking 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 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 Evaluation.

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II- OVERVIEW OF INSTITUTION’S PERFORMANCE

The Department evaluated IB 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 January 1, 2019 to March 31, 2022. The Department assigned IB a rating of “2,” indicating a “Satisfactory” record of helping to meet community credit needs.

This rating is based on the following criteria:

A. Community Development Test:

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

Community Development Lending:

During the evaluation period, IB originated \$22.7 million in new community development loans, and still had \$13 million outstanding from prior evaluation periods.

Qualified Investments:

During the evaluation period, IB made \$2.2 million in new qualified investments and still had \$2.1 million in qualified investments outstanding from prior evaluation periods. In addition, the Bank made \$70,200 in qualified grants.

Community Development Services:

During the evaluation period, IB performed 15 community development services.

B. Innovative or Complex Practices, Community Development Loans, or Community Development Services:

IB engaged in various innovative or flexible community development practices, community development loans, or community development services including investments in Community Development Financial Institutions (“CDFIs”)¹, .

C. Responsiveness to Credit and Community Development Needs:

IB demonstrated a satisfactory 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.

¹ Refer to the Glossary for definition of a CDFI.

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III - PERFORMANCE CONTEXT

A. Institution Profile

Chartered in 1983, Inter Audi Bank is a commercial bank headquartered in New York, New York. Its affiliate, Ameraudi Asset Management, Inc., offers a broad range of investment advisory, wealth management products and services.

The Bank operates a single branch in its New York assessment area, on the same premises as its headquarters; it also maintains a second branch in Miami, Florida. IB provides personal and commercial banking services as well as asset management options to both US and foreign clients. IB provides savings and checking accounts, business and personal loans, credit cards, other lines of credit, and foreign currency exchange services for personal and business customers. Customers can access their accounts online as well as through commercially-branded debit/ATM cards.

In its Consolidated Report of Condition (“Call Report”) as of March 31, 2022, filed with the Federal Deposit Insurance Corporation (“FDIC”), IB reported total assets of \$2.5 billion, of which \$1.1 billion were net loans and lease financing receivables. It also reported total deposits of \$2.1 billion, resulting in an LTD ratio of 50%. According to the latest available comparative deposit data as of June 30, 2021, IB obtained a market share of 0.07%, or \$1.2 billion in a market of \$1.8 trillion, ranking it 44th among 110 deposit-taking institutions in the assessment area.

The following is a summary of IB’s loan portfolio, based on Schedule RC-C of the Bank’s December 31, 2019, 2020, and 2021 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2019		2020		2021	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	412,554	47.9	434,117	44.9	449,149	43.6
Commercial & Industrial Loans	117,983	13.7	176,038	18.2	191,867	18.6
Commercial Mortgage Loans	211,804	24.6	214,310	22.1	252,017	24.5
Multifamily Mortgages	27,302	3.2	45,720	4.7	80,126	7.8
Consumer Loans	5,127	0.6	4,928	0.5	5,095	0.5
Construction Loans	78,547	9.1	83,938	8.7	47,712	4.6
Other Loans	8,152	0.9	8,660	0.9	4,258	0.4
Total Gross Loans	861,469		967,711		1,030,224	

As illustrated in the above table, IB is primarily a residential mortgage lender, with more than half or 51.4% of its loan portfolio in residential loans, comprising of 43.6% in 1-4 family residential loans and 7.8% in multifamily. Commercial lending activities totaled 47.7%, of which 24.5% comprised commercial mortgage loans, 18.6% commercial and industrial loans, and 4.6% construction loans.

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

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B. Assessment Area

The Bank’s assessment area is comprised of Kings (Brooklyn), New York (Manhattan), Bronx, and Queens Counties. There was no change in the assessment area since the last evaluation.

There are 2,057 census tracts in the Bank’s 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.

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
Total	63	285	562	614	533	2,057	41.2

C. Demographic & Economic Data

The assessment area had a population of 7,954,262 during the evaluation period. Approximately 12.6% of the population was over the age of 65 and 18.9% 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, while 27% were owner-occupied.

Of the total 2,070,401 rental-occupied units, 53.0% were in LMI census tracts while 46.7% 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 1,018,711 non-farm businesses in the assessment area. Of these, 91.5% were businesses with reported revenues of less than or equal to \$1 million, 3.5% reported revenues of more than \$1 million and 5.1% did not report their revenues. Of all the businesses in the assessment area, 97.0% were businesses with less than fifty employees while 95.2% operated from a single

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location. The largest industries in the area were services (34.1%), retail trade (11.9%) and finance, insurance & real estate (9.4%); 31.1% 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 increased substantially, from 3.9% in 2019 to 9.9 in 2020, due to the onset of the COVID-19 pandemic. However, by 2021, as the economy recovered from the pandemic, statewide unemployment decreased to 6.9%. While the Bank’s assessment area exhibited a similar pattern, Bronx County experienced the highest overall average rate of 11.7%. New York County’s average unemployment rate of 6.9% was the lowest in the assessment area and over the course of the assessment period, matched that of New York State, but varied year-to-year from the statewide average

Assessment Area Unemployment Rate					
	Statewide	Bronx	Kings	New York	Queens
2019	3.9	5.2	4.0	3.4	3.4
2020	9.9	16.2	12.6	9.6	12.6
2021	6.9	13.6	10.1	7.6	9.6
Average of Years Above	6.9	11.7	8.9	6.9	8.5

D. Community Information

DFS examiners contacted and interviewed representatives of two nonprofit organizations active in IB’s assessment area. The representatives’ comments helped to identify potential credit needs and economic concerns within the assessment area.

DFS examiners interviewed a representative of a nonprofit organization whose mission is to help Harlem residents obtain affordable housing (including owning their own homes), job training and employment, health care, and continuing education for young people, adults, and senior citizens.

The organization’s representative stated that many residents are not aware of lending opportunities, such as FHA mortgage loans, that may be available to borrowers who may have limited income and savings or less than perfect credit scores. While the organization receives grants from banks, the interviewee stated that local financial institutions could also help the community by providing financial literacy workshops and small business training and organizing fundraising campaigns to promote programs offered by community development organizations.

DFS examiners also interviewed a representative of a community development organization that addresses housing and economic needs for low-income immigrants in New York City. The organization’s services include advocacy for tenants, first-time homebuyers, and homeowners at risk of or in foreclosure, and assistance with immigration matters.

The interviewee stated that some areas of Queens County, such as Jamaica, Queens Village, and Jackson Heights are heavily affected by poverty. The organization’s representative stated that residents of these areas, and in particular, newly-arrived immigrants, often find it very difficult to obtain suitable banking services due to banks’ fees and minimum balance requirements. The

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representative also stated that ongoing gentrification was pushing up housing costs. Finally, the representative opined that financial institutions should work harder to provide financial services to difficult-to-reach communities.

IV - PERFORMANCE TEST AND ASSESSMENT FACTORS

The Department evaluated IB under the wholesale banking institution performance standards pursuant to the “community development test,” set forth 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 were also considered in assessing IB’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; 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 the banking institution is helping to meet the credit needs of its entire community.

DFS derived statistics employed in this Evaluation from various sources. IB submitted bank-specific information both as part of the Evaluation process and in its Call Report submitted to the FDIC.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor.

The evaluation period included the period from January 1, 2019 to March 31, 2022.

In its prior Community Reinvestment Act Performance Evaluation as of December 31, 2018, DFS assigned IB a rating of “2”, reflecting a “Satisfactory” record of helping to meet community credit needs.

Current CRA Rating: Satisfactory

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A. Community Development Test:

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

During the evaluation period, IB originated \$22.7 million in new community development loans and had \$13 million outstanding from prior evaluation periods. IB also made \$2.2 million in new qualified investments and still had \$2.1 million investments outstanding from prior evaluation periods. In addition, IB made \$70,200 in qualified grants and provided 15 instances of community services.

A more detailed description of the Bank's community development activity follows:

1. Community Development Lending:

During the evaluation period, IB originated \$22.7 million in new community development loans, and had \$13 million outstanding from prior evaluation periods², for a total of \$35.7 million.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	2	2,680		
Economic Development	1	840		
Community Services	4	17,250	1	1,885
Revitalize/Stabilize	2	1,909	1	11,087
Total	9	22,679	2	12,972

Below are highlights of IB's community development lending.

- IB loaned \$12.5 million to finance the construction of a four-story commercial property in a moderate-income census tract in Brooklyn (Kings County), to be occupied by a charter school where more than 50% of the students are eligible for free or reduced-cost lunch.
- The Bank originated a \$2.4 million commercial mortgage loan to refinance an existing mortgage loan secured by a two-story retail store located in a moderate-income census tract in Brooklyn, helping to create and retain jobs.
- IB originated a \$2.4 million loan to fund the purchase and renovation of a four-family residential property in a moderate-income tract in Manhattan (New York County).

² 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.

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2. Qualified Investments:

During the evaluation period, IB made \$2.2 million in new qualified investments and still had \$2.1 million in investments outstanding from prior evaluation periods. In addition, IB made \$70,200 in qualified grants.

Qualified Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
CD Investments	# of Inv.	\$000	# of Inv.	\$000
Affordable Housing	1	1,000	1	114
Economic Development	1	1,000	1	2,000
Community Services	0	-		
Revitalize/Stablize	1	250		
Total	3	2,250	2	2,114
CD Grants	# of Grants	\$000	<i>Not Applicable</i>	
Affordable Housing	6	28		
Economic Development	0	-		
Community Services	17	43		
Other (Please Specify)	0	-		
Total	23	70		

Below are highlights of IB’s community development investments and grants.

Investments:

- IB invested \$1 million in an SBA loan fund whose mission is to promote economic development through its support of small businesses for the creation and/or retention of jobs for LMI individuals.
- IB invested \$1 million in a community development fund that focuses exclusively on providing affordable housing for LMI borrowers and renters, including in high majority-minority communities.

Grants:

- IB donated \$22,500 to an organization that provides affordable lending and other services that enables individuals and families to invest in, preserve, and improve their homes and neighborhoods.
- IB donated \$7,500 to an organization that provides paid internship opportunities for youths and home ownership education to underserved communities.

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3. Community Development Services:

During the evaluation period, IB provided 15 instances of community development services. This is an improvement from the prior evaluation during which the Bank reported only one instance of community development service.

Community Development Services	
Activity Type	Number of Activities
On-Going Board & Committee Memberships	2
Technical Assistance	2
Seminars	
Credit Counseling	
Other Services	11
Total Community Development Services	15

Below is a description of IB's community development services.

- For the two years of the evaluation period, the Bank's compliance officer served on the board of directors of a credit union that serving an LMI community in Brooklyn. In addition, a member of IB's senior management provided two technical assistance to the same credit union. Additionally, the credit union is a CDFI.
- A member of IB's senior management conducted financial literacy classes in high schools in LMI communities, in cooperation with a nonprofit organization whose mission is to provide financial literacy.

B. Innovative or Complex Practice, Community Development Loans, or Community Development Service:

IB engaged in various innovative or flexible community development practices, community development loans, or community development services by making investments in CDFI funds..

C. Responsiveness to Credit and Community Development Needs:

IB demonstrated a satisfactory level of responsiveness to credit and community development needs.

D. 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*

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IB's CRA officer prepares, and the chief compliance officer reviews, a quarterly report of all CRA-related activities. After reviewing this report, the chief compliance officer presents it to the Board of Directors at the Board's quarterly meeting

Additionally, the Bank's Compliance Committee, which includes members of executive-level management, also reviews the quarterly CRA report.

1. 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.

2. The banking institution's record of opening and closing offices and providing services at offices

The Bank has not opened or closed any branches since the prior evaluation. As a wholesale bank, IB offers limited retail services at its offices in Manhattan.

3. 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.

IB primarily ascertains the needs of its community primarily through its relationships with community business leaders. In addition, members of the Bank's management attend forums, webinars, and consult with community groups and leaders.

- *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*

IB does not advertise or promote its credit products and services. Instead, the Bank forms partnerships with community development organizations and financial education providers.

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4. 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

None noted.

V - 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

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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.

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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

LMI Geographies

“LMI geographies” means 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

“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

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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.

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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%. The program officially ended May 31, 2021.

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.

Small Business Loan

A small business loan is a loan less than or equal to \$1 million.