



## **PUBLIC SUMMARY**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION OF HABIB AMERICAN BANK**

**AS OF MARCH 31, 2025**

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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**I. - GENERAL INFORMATION**

This document is an evaluation (the “Evaluation”) of the Community Reinvestment Act (“CRA”) performance of Habib American Bank (“HAB” 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, 2025.

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 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 end of this Evaluation.

**II. - OVERVIEW OF INSTITUTION’S PERFORMANCE**

The Department evaluated HAB according to the large banking institutions performance criteria pursuant to Sections 76.7, 76.8, 76.9 and 76.10 of the GRS. The evaluation period included calendar years 2022, 2023 and 2024 for lending activities and the period from July 1, 2022 to March 31, 2025, for community development activities. The Department assigned HAB a rating of “2,” indicating a “Satisfactory” record of meeting community credit needs.

This rating is based on the following factors:

**A. Lending Test: High Satisfactory**

HAB’s HMDA-reportable and small business lending activities were good considering HAB’s size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area.

**1. Lending Activity:**

HAB’s lending levels were good considering its size, business strategy and financial condition, as well as the activity of its peer group and the demographic characteristics of its assessment area.

The Bank’s overall average loan-to-deposit (“LTD”) ratio for its operations in New York, New Jersey and California was 72.4% for the evaluation period; however, its average LTD ratio based solely on deposits and loans originated in New York State was 98.7%, which exceeded the peer group’s LTD ratio of 80.3%.

**2. Assessment Area Concentration:**

During the evaluation period, HAB originated 83.9% by number and 86.8% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating a good concentration of lending.

**3. Geographic Distribution of Loans:**

HAB’s origination of loans in census tracts of varying income levels demonstrated an adequate distribution of lending.

HAB’s HMDA-reportable average rates of lending in LMI census tracts for the evaluation period significantly exceeded the aggregate’s rates by number and by dollar value of loans, while the Bank’s average small business rates of lending in LMI census tracts trailed the aggregate’s rates.

**4. Distribution by Borrower Characteristics:**

HAB’s small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes.

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The evaluation of this criterion was solely based on small business lending, as the Bank’s HMDA-reportable loans were made to real estate investors for which income data is not required to be collected or reported.

### 5. Community Development Lending:

During the evaluation period, HAB originated \$46.7 million in new community development loans and had \$41.6 million outstanding from prior evaluation periods. This demonstrated a good level of community development lending over the course of the evaluation period.

## **B. Investment Test: Low Satisfactory**

### 1. Qualified Investments

During the evaluation period, HAB made \$3.4 million in new qualified investments and had no qualified investments outstanding from prior evaluation periods. In addition, Habib made \$179,100 in qualified grants. This demonstrated an adequate level of qualified investments and grants over the course of the evaluation period.

### 2. Innovativeness of Qualified Investments:

HAB made no use of innovative investments to support community development.

### 3. Responsiveness of Qualified Investments to Credit and Community Development Needs:

HAB’s qualified investments exhibited adequate responsiveness to the assessment area’s credit and community development needs.

## **C. Service Test: Needs to Improve**

### 1. Retail Banking Services:

HAB has an adequate branch network, delivery systems, branch hours and services, and alternative delivery systems, including as it relates to LMI individuals.

### 2. Community Development Services:

HAB provided a limited level of community development services. Some counties within the Bank’s assessment area did not benefit from any of the community development services provided by the Bank.

*This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York Banking Law and GRS Part 76.*

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### III. - PERFORMANCE CONTEXT

#### A. Institution Profile

HAB is a New York State chartered full-service commercial bank headquartered in Manhattan, New York. The Bank is privately owned and has six banking offices in three states: New York, California, and New Jersey.

HAB operates three banking offices in its New York assessment area, one each in New York (Manhattan), Queens, and Nassau counties. Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of deposit-taking ATMs at each branch location. None of the Bank’s full-service banking offices are in LMI census tracts. As of the evaluation period, two branches were in middle-income census tracts and one branch in an upper-income census tract. The Bank does not have any off-site ATMs.

HAB primarily focuses on international trade financing for small and medium-sized businesses and commercial mortgage lending. The Bank also offers deposit products that include personal and business checking, savings, individual retirement accounts, certificates of deposit, and money market deposit accounts. Banking services include online banking, mobile banking, direct deposits, remote deposit capture, debit and credit cards, safe deposit boxes, bill pay, merchant services, funds transfer and sweep accounts. In addition, HAB provides correspondent banking services to small- and medium-sized financial institutions worldwide.

In its Consolidated Report of Condition (the “Call Report”) as of December 31, 2024, filed with the Federal Deposit Insurance Corporation (“FDIC”), HAB reported total assets of \$2.5 billion, of which \$1.6 billion were net loans and lease financing receivables. It also reported total deposits of \$2.1 billion, resulting in an LTD ratio of 77.0%. According to the latest available comparative deposit data as of June 30, 2024, HAB obtained a market share of 0.04%, or \$845.5 million in a market of \$1.9 trillion, ranking it 48<sup>th</sup> among 109 deposit-taking institutions in the assessment area.

The following is a summary of the Bank’s loan portfolio, based on Schedule RC-C of the Bank’s December 31, 2022, 2023 and 2024’s Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
Loan Type	12/31/2022		12/31/2023		12/31/2024	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	211,759	15.7	222,434	15.4	218,096	13.7
Commercial & Industrial Loans	28,065	2.1	27,143	1.9	36,586	2.3
Commercial Mortgage Loans	972,671	72.3	1,020,040	70.8	1,127,973	70.9
Multifamily Mortgages	125,386	9.3	156,291	10.9	204,603	12.9
Consumer Loans	7,103	0.5	14,426	1.0	3,908	0.2
Agricultural Loans	0	0.0	0	0.0	0	0.0
Construction Loans	0	0.0	0	0.0	0	0.0
Loans to Banks in Foreign Countries	1,208	0.1	112	0.0	394	0.0
<b>Total Gross Loans</b>	<b>1,346,192</b>		<b>1,440,446</b>		<b>1,591,560</b>	

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As illustrated in the above table, HAB is primarily a commercial lender, with a combined 86.1% of its gross loan portfolio in commercial mortgage loans, commercial and industrial loans, and multifamily mortgage loans as of December 31, 2024.

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

### **B. Assessment Area**

The Bank's assessment area consists of the following counties in their entirety: Bronx, Kings (Brooklyn), Nassau, New York (Manhattan), and Queens.

There are 2,487 census tracts in the Bank's assessment area, of which 292 are low-income, 588 are moderate-income, 831 are middle-income, 625 are upper-income, and 151 are tracts with no income indicated.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	21	129	121	65	25	361	69.3
Kings	46	91	235	263	170	805	40.5
Nassau	9	10	31	146	90	286	14.3
New York	23	36	44	32	175	310	25.8
Queens	52	26	157	325	165	725	25.2
Total	151	292	588	831	625	2,487	35.4

### **C. Demographic & Economic Data**

The assessment area had a population of 9,704,217 during the evaluation period. Approximately 14.6% of the population were over the age of 65 and 22.3% were under the age of 16.

Of the 2,125,916 families in the assessment area, 28.7% were low-income, 16.2% were moderate-income, 16.9% were middle-income and 38.2% were upper-income. There were 3,474,498 households in the assessment area, of which 16.0% had income below the poverty level and 4.2% were on public assistance.

The weighted average median family income in the assessment area was \$96,378.

There were 3,811,950 housing units within the assessment area, of which 42.3% were one-to-four family units and 57.5% were multifamily units. A majority (57.1%) of the housing units were rental-occupied units, while 34.1% were owner-occupied and 8.9% were vacant units.

Of the total 2,176,159 rental-occupied units, 49.4% were in LMI census tracts while 49.1% were

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in middle- and upper-income census tracts. The weighted average monthly gross rent was \$1,605. Of the 1,298,339 owner-occupied housing units, 19.0% were in LMI census tracts while 80.3% were in middle- and upper-income census tracts. The median age of the housing stock was 77 years, and the weighted median home value in the assessment area was \$672,082.

There were 1,720,191 non-farm businesses in the assessment area. Of these, 93.9% were businesses with reported revenues of less than or equal to \$1 million, 2.4% reported revenues of more than \$1 million and 3.7% did not report their revenues. Of all the businesses in the assessment area, 98.2% were businesses with less than fifty employees while 96.3% operated from a single location. The largest industries in the area were services (31.3%), finance, insurance and real estate (10.3%) and retail trade (10.3%); 35.2% 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 remained relatively consistent during the evaluation period. Bronx, Kings, New York and Queens counties had average unemployment rates higher than the statewide unemployment rates during each year of the evaluation period. Of all counties in the Bank’s assessment area, Bronx County consistently had the highest average annual unemployment rates during the evaluation period, while Nassau County had the lowest average annual unemployment rates.

Assessment Area Unemployment Rate						
	Statewide	Bronx	Kings	New York	Nassau	Queens
2022	4.3	8.0	5.7	4.8	3.0	5.3
2023	4.1	6.7	5.1	4.5	3.1	4.5
2024	4.3	6.9	5.4	4.8	3.3	4.7
Average of Years above	4.2	7.2	5.4	4.7	3.1	4.8

### **D. Community Information**

DFS examiners conducted meetings with representatives from two nonprofit organizations to gain further insight into community needs.

The first organization focuses on economic development in Queens County with a mission to create and retain jobs by assisting small businesses and encouraging entrepreneurship. The representative stated that many small business owners in the community lack the expertise, experience, and financial sophistication necessary to succeed. As a result, certain parts of Queens County, most notably the Flushing area, have a high need for financial education, credit assistance, and business counseling for entrepreneurs. The representative also stated that banks need to do more to understand and work with cultural variations occurring in different areas within Queens County. For example, some cultural communities in Queens County are reportedly skeptical of banks’ security and privacy practices. The representative recommended that banks endeavor to better understand these cultural differences and effectively meet the credit needs of all community members. The representative also stated that the banking markets varied considerably between different neighborhoods in Queens County; Long Island City is served by larger national banks, while Flushing is reliant on local, ethnically focused institutions. Finally, the representative stated that the Rockaways area of Queens County contain pockets of poverty.

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The second organization aims to enhance the lives of residents of New York City Housing Authority (“NYCHA”) housing developments. The representative of this organization stated that while there are many bank branches in the communities it serves, many residents do not grasp basic banking concepts and therefore prefer using non-bank or non-traditional financial services. Furthermore, because income levels of NYCHA residents are often very low, fees make traditional banking impractical for many community members. The representative also opined that NYCHA residents might benefit from financial education provided by partnerships between banks and community organizations, and that such programs would be especially helpful if provided to both youths and their parents.

### **IV. - PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

The Department evaluated HAB under the large banking institutions performance criteria in accordance with Sections 76.7, 76.8, 76.9 and 76.10 of the GRS, which consist of the lending, investment and service tests. DFS also considered the following factors in assessing the Bank's record of performance:

1. The extent of participation by the Board of Directors or Board of Trustees in formulating CRA policies and reviewing CRA performance;
2. Any practices intended to discourage credit applications;
3. Evidence of prohibited discriminatory or other illegal credit practices;
4. Record of opening and closing offices and providing services at offices; and
5. 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 HAB helps to meet the credit needs of its entire community.

DFS derived statistics employed in this Evaluation from various sources. HAB submitted bank-specific information both as part of the Evaluation process and in its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS obtained LTD ratios from information shown in the Bank's Uniform Bank Performance Report, compiled by the FFIEC from call report data.

DFS derived the demographic data referred to in this report from the 2020 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 calendar years 2022, 2023, and 2024 for lending activities and the period from July 1, 2022, to March 31, 2025, for community development activities.

Examiners considered HAB's HMDA-reportable loans in evaluating factors (2) and (3) and small business loans in evaluating factors (2), (3) and (4) of the lending test noted below. HMDA-reportable loans were not considered for factor (4) as these loans were made to borrowers for investment purposes only, for which reporting of borrower income is not required.

HMDA-reportable and small business loan data evaluated in this Evaluation represented actual originations.

In its prior Community Reinvestment Act Performance Evaluation as of June 30, 2022, DFS assigned HAB a rating of "2," or a "Satisfactory" compliance with regulatory standards.

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**Current CRA Rating: Satisfactory**

**A. Lending Test:** High Satisfactory

*The Bank’s lending performance was evaluated pursuant to the following criteria:*

- (1) Lending Activity;*
- (2) Assessment Area Concentration;*
- (3) Geographic Distribution of Loans;*
- (4) Borrower Characteristics;*
- (5) Community Development Lending; and*
- (6) Flexible and/or Innovative Lending Practices.*

HAB’s HMDA-reportable and small business lending activities were good considering HAB’s size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area. HAB’s good level of community development lending for neighborhood revitalization and affordable housing projects demonstrate the Bank’s commitment to meet its community credit needs.

**1. Lending Activity:**

HAB’s lending levels were good considering its size, business strategy and financial condition, as well as the activity of its peer group and the demographic characteristics of its assessment area.

HAB’s overall average LTD ratio of 72.4% during the evaluation period trailed the peer group ratio of 80.3% but was an increase from the average LTD ratio of 65.6% reported for the prior evaluation period. Examiners also calculated HAB’s LTD ratio based solely on deposits and loans originated in New York State. Based on this calculation, the Bank’s average LTD ratio was 98.7%, which was well above its peer group ratio for the 12 quarters of the evaluation period.

The table below shows the Bank’s LTD ratios in comparison with the peer group’s ratios for the 12 quarters of this evaluation period.

<b>Loan-to-Deposit Ratios</b>													
	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	Avg.
Bank NY Only	92.3	92.4	100.6	94.8	96.5	100.0	94.3	104.0	101.7	102.0	101.2	104.1	98.7
Bank	70.5	71.1	84.0	75.0	73.1	69.9	69.0	75.4	71.1	62.7	70.0	77.0	72.4
Peer	71.4	74.5	76.8	79.3	79.8	81.9	82.0	83.4	83.0	84.5	83.6	83.3	80.3

**2. Assessment Area Concentration:**

During the evaluation period, HAB originated 83.9% by number and 86.8% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating a good concentration of lending.

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### a. HMDA-Reportable Loans:

During the evaluation period, HAB originated 87.5% by number and 91.0% by dollar value of its HMDA-reportable loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending.

### b. Small Business Loans:

HAB originated 81.4% by number and 80.7% by dollar value of its small business loans within the assessment area during the evaluation period. This majority of lending inside of its assessment area reflects a good concentration of lending.

The following table shows the percentages of the Bank’s HMDA-reportable and small business loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>HMDA-Reportable</b>										
2022	68	89.5%	8	10.5%	76	65,668	94.3%	3,959	5.7%	69,627
2023	46	93.9%	3	6.1%	49	48,512	96.3%	1,840	3.7%	50,352
2024	33	76.7%	10	23.3%	43	43,838	81.8%	9,755	18.2%	53,593
Subtotal	147	87.5%	21	12.5%	168	158,018	91.0%	15,554	9.0%	173,572
<b>Small Business</b>										
2022	86	83.5%	17	16.5%	103	43,053	81.5%	9,783	18.5%	52,836
2023	52	78.8%	14	21.2%	66	27,685	78.9%	7,387	21.1%	35,072
2024	54	80.6%	13	19.4%	67	28,011	81.2%	6,482	18.8%	34,493
Subtotal	192	81.4%	44	18.6%	236	98,749	80.7%	23,652	19.3%	122,401
Grand Total	339	83.9%	65	16.1%	404	256,767	86.8%	39,206	13.2%	295,973

DFS based its analysis of HMDA-reportable and small business lending on actual loans.

### 3. Geographic Distribution of Loans:

HAB’s origination of loans in census tracts of varying income levels demonstrated an adequate distribution of lending.

#### a. HMDA-Reportable Loans:

The distribution of HAB’s HMDA-reportable loans by the income level of the geography was excellent.

HAB’s HMDA-reportable average rates of lending in LMI census tracts for the evaluation period were 53.1% by number and 51.1% by dollar value of loans, significantly exceeding the aggregate’s 19.3% and 22.2%, respectively. Additionally, the Bank’s annual rates of lending in LMI census tracts exceeded the aggregate’s rates for all years of the evaluation period.

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The Bank’s HMDA-reportable annual rates of lending by number and dollar value in LMI census tracts also exceeded the percentage of owner-occupied housing units located in LMI census tracts for each year of the evaluation period.

The following table provides a summary of the distribution of HAB’s HMDA-reportable loans by the income level of the geography where the property was located.

<b>Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract</b>									
<b>2022</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
	#	%	\$000's	%	#	%	\$000's	%	%
Low	12	17.6%	12,558	19.1%	3,567	4.0%	4,794,145	5.8%	3.2%
Moderate	20	29.4%	16,950	25.8%	13,271	15.0%	12,939,575	15.8%	15.8%
LMI	32	47.1%	29,508	44.9%	16,838	19.0%	17,733,720	21.6%	19.0%
Middle	27	39.7%	19,705	30.0%	33,670	38.0%	20,514,310	25.0%	42.5%
Upper	8	11.8%	6,955	10.6%	37,441	42.2%	42,934,945	52.3%	37.8%
Unknown	1	1.5%	9,500	14.5%	748	0.8%	898,580	1.1%	0.7%
<b>Total</b>	<b>68</b>		<b>65,668</b>		<b>88,697</b>		<b>82,081,555</b>		
<b>2023</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	17.4%	10,223	21.1%	1,956	3.9%	3,252,090	8.0%	3.2%
Moderate	18	39.1%	18,949	39.1%	7,599	15.3%	6,470,375	15.9%	15.8%
LMI	26	56.5%	29,172	60.1%	9,555	19.3%	9,722,465	23.9%	19.0%
Middle	17	37.0%	13,070	26.9%	20,406	41.1%	11,608,530	28.5%	42.5%
Upper	3	6.5%	6,270	12.9%	19,278	38.9%	18,967,940	46.6%	37.8%
Unknown	0	0.0%	0	0.0%	374	0.8%	368,380	0.9%	0.7%
<b>Total</b>	<b>46</b>		<b>48,512</b>		<b>49,613</b>		<b>40,667,315</b>		
<b>2024</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
	#	%	\$000's	%	#	%	\$000's	%	%
Low	6	18.2%	7,474	17.0%	2,188	4.3%	3,386,750	7.6%	3.2%
Moderate	14	42.4%	14,642	33.4%	7,888	15.6%	6,185,280	13.9%	15.8%
LMI	20	60.6%	22,116	50.4%	10,076	19.9%	9,572,030	21.6%	19.0%
Middle	8	24.2%	7,641	17.4%	21,053	41.6%	11,477,815	25.9%	42.5%
Upper	5	15.2%	14,081	32.1%	19,120	37.8%	22,709,850	51.2%	37.8%
Unknown	0	0.0%	0	0.0%	373	0.7%	605,805	1.4%	0.7%
<b>Total</b>	<b>33</b>		<b>43,838</b>		<b>50,622</b>		<b>44,365,500</b>		
<b>GRAND TOTAL</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
	#	%	\$000's	%	#	%	\$000's	%	%
Low	26	17.7%	30,255	19.1%	7,711	4.1%	11,432,985	6.8%	
Moderate	52	35.4%	50,541	32.0%	28,758	15.2%	25,595,230	15.3%	
LMI	78	53.1%	80,796	51.1%	36,469	19.3%	37,028,215	22.2%	
Middle	52	35.4%	40,416	25.6%	75,129	39.8%	43,600,655	26.1%	
Upper	16	10.9%	27,306	17.3%	75,839	40.1%	84,612,735	50.6%	
Unknown	1	0.7%	9,500	6.0%	1,495	0.8%	1,872,765	1.1%	
<b>Total</b>	<b>147</b>		<b>158,018</b>		<b>188,932</b>		<b>167,114,370</b>		

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### b. Small Business Loans:

The distribution of HAB’s small business loans among census tracts of varying income levels was adequate.

HAB’s average small business rate of lending in LMI census tracts of 23.4% by number and 24.3% by dollar value trailed the aggregate’s average rate of lending of 27.7% and 25.1%, respectively. Additionally, the Bank’s annual rates of lending in LMI census tracts decreased significantly in each year of the evaluation period. This trend can be attributed to competition for small business loans in the Bank’s assessment area.

HAB’s average rates of lending in LMI census tracts trailed the average percentage (27.5%) of small businesses located in LMI census tracts in the Bank’s assessment area, while the aggregate’s rates were comparable to the business demographics.

The following table provides a summary of the distribution of the Bank’s small business loans by the income level of the geography where the business was located.

<b>Distribution of Small Business Lending by Geographic Income of the Census Tract</b>									
<b>2022</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	5	5.8%	3,135	7.3%	26,956	8.1%	663,172	7.9%	8.7%
Moderate	21	24.4%	9,127	21.2%	61,564	18.6%	1,411,030	16.8%	18.6%
LMI	26	30.2%	12,262	28.5%	88,520	26.7%	2,074,202	24.7%	27.3%
Middle	39	45.3%	20,021	46.5%	97,831	29.5%	2,102,646	25.1%	28.3%
Upper	17	19.8%	8,620	20.0%	131,225	39.6%	3,652,348	43.6%	40.2%
Unknown	4	4.7%	2,150	5.0%	13,718	4.1%	556,405	6.6%	4.2%
<b>Total</b>	<b>86</b>		<b>43,053</b>		<b>331,294</b>		<b>8,385,601</b>		
<b>2023</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	3	5.8%	1,700	6.1%	30,106	8.9%	657,868	8.4%	8.8%
Moderate	8	15.4%	5,471	19.8%	65,745	19.4%	1,362,358	17.3%	18.7%
LMI	11	21.2%	7,171	25.9%	95,851	28.3%	2,020,226	25.7%	27.5%
Middle	24	46.2%	10,909	39.4%	99,952	29.5%	2,002,405	25.5%	28.4%
Upper	15	28.8%	8,205	29.6%	130,038	38.4%	3,330,400	42.4%	40.0%
Unknown	2	3.8%	1,400	5.1%	12,744	3.8%	507,881	6.5%	4.2%
<b>Total</b>	<b>52</b>		<b>27,685</b>		<b>338,585</b>		<b>7,860,912</b>		
<b>2024</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	2	3.7%	1,600	5.7%	34,250	9.2%	686,376	8.0%	8.9%
Moderate	6	11.1%	2,915	10.4%	70,920	19.0%	1,464,847	17.0%	18.9%
LMI	8	14.8%	4,515	16.1%	105,170	28.1%	2,151,223	24.9%	27.8%
Middle	28	51.9%	13,339	47.6%	109,308	29.2%	2,216,580	25.7%	28.5%
Upper	16	29.6%	8,407	30.0%	145,498	38.9%	3,700,284	42.9%	39.6%
Unknown	2	3.7%	1,750	6.2%	13,786	3.7%	557,591	6.5%	4.1%
<b>Total</b>	<b>54</b>		<b>28,011</b>		<b>373,762</b>		<b>8,625,678</b>		
<b>GRAND TOTAL</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus.Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	10	5.2%	6,435	6.5%	91,312	8.7%	2,007,416	8.1%	
Moderate	35	18.2%	17,513	17.7%	198,229	19.0%	4,238,235	17.0%	
LMI	45	23.4%	23,948	24.3%	289,541	27.7%	6,245,651	25.1%	
Middle	91	47.4%	44,269	44.8%	307,091	29.4%	6,321,631	25.4%	
Upper	48	25.0%	25,232	25.6%	406,761	39.0%	10,683,032	43.0%	
Unknown	8	4.2%	5,300	5.4%	40,248	3.9%	1,621,877	6.5%	
<b>Total</b>	<b>192</b>		<b>98,749</b>		<b>1,043,641</b>		<b>24,872,191</b>		

## HABIB AMERICAN BANK – CRA PERFORMANCE EVALUATION

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### 4. Distribution by Borrower Characteristics:

HAB's small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes.

The evaluation of this criterion was solely based on small business lending, as HAB's HMDA-reportable loans were made to real estate investors for which income data is not required to be collected or reported.

#### a. Small Business Loans:

HAB's small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes.

HAB's average rates of lending to small businesses with revenue of \$1 million or less were 82.8% by number and 87.5% by dollar value of loans, well above the comparable aggregate's rates of lending of 52.3% and 32.9% respectively. Both the Bank's and the aggregate's average rates of lending to small businesses with gross annual revenue of \$1 million or less trailed the percentages (91.8% - 93.9%) of small businesses with annual revenue of \$1 million or less located within the Bank's assessment area for each year of the evaluation period.

The following table provides a summary of the distribution of HAB's small business loans by the revenue size of the business.

## HABIB AMERICAN BANK – CRA PERFORMANCE EVALUATION

Distribution of Small Business Lending by Revenue Size of Business									
2022									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	69	80.2%	37,540	87.2%	161,829	48.8%	2,643,308	31.5%	91.8%
Rev. > \$1MM	5	5.8%	2,550	5.9%					3.2%
Rev. Unknown	12	14.0%	2,963	6.9%					5.0%
<b>Total</b>	<b>86</b>		<b>43,053</b>		<b>331,294</b>		<b>8,385,601</b>		
2023									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	46	88.5%	24,935	90.1%	182,026	53.8%	2,651,207	33.7%	93.6%
Rev. > \$1MM	2	3.8%	1,100	4.0%					2.5%
Rev. Unknown	4	7.7%	1,650	6.0%					3.9%
<b>Total</b>	<b>52</b>		<b>27,685</b>		<b>338,585</b>		<b>7,860,912</b>		
2024									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	44	81.5%	23,936	85.5%	202,063	54.1%	2,887,787	33.5%	93.9%
Rev. > \$1MM	3	5.6%	1,070	3.8%					2.4%
Rev. Unknown	7	13.0%	3,005	10.7%					3.7%
<b>Total</b>	<b>54</b>		<b>28,011</b>		<b>373,762</b>		<b>8,625,678</b>		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	159	82.8%	86,411	87.5%	545,918	52.3%	8,182,302	32.9%	
Rev. > \$1MM	10	5.2%	4,720	4.8%	-				
Rev. Unknown	23	12.0%	7,618	7.7%	0				
<b>Total</b>	<b>192</b>		<b>98,749</b>		<b>1,043,641</b>		<b>24,872,191</b>		

### 5. Community Development Lending:

During the evaluation period, HAB originated \$46.7 million in new community development loans and had \$41.6 million outstanding from prior evaluation periods. This demonstrated a good level of community development lending over the course of the evaluation period.

HAB's new community development loans mainly supported neighborhood revitalization and affordable housing projects, which have been identified as community needs in the Bank's assessment area.

## HABIB AMERICAN BANK – CRA PERFORMANCE EVALUATION

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	13	16,345	8	8,421
Economic Development				
Community Services	1	1,121		
Revitalization/Stabilization	20	29,217	19	33,143
<b>Total</b>	<b>34</b>	<b>46,683</b>	<b>27</b>	<b>41,564</b>

Below are highlights of HAB’s community development lending.

- HAB originated a \$2.4 million mortgage loan to finance the purchase of a three-story, mixed-use building containing eight residential apartments and seven ground floor retail units. The subject building is in a predominantly LMI area in Bronx County. The loan helps to revitalize the area, while retaining and creating job opportunities for LMI individuals.
- HAB refinanced a \$2.3 million multifamily mortgage loan for a property located in a low-income census tract in Bronx County. The loan is secured by a 15-unit building, of which nearly 87% had rents below the U.S. Department of Housing and Urban Development (“HUD”) fair market rates (“FMR”) for the New York City Metropolitan area.
- HAB originated a \$1.6 million mortgage loan to finance the purchase of a 27-unit multifamily property located in a low-income census tract in Kings County. Most of the units (89%), had rents below HUD’s FMR level for the New York City Metropolitan area, thus providing affordable housing to LMI individuals and families.
- HAB originated a \$1.1 million loan for the acquisition of an industrial warehouse building in a moderate-income census tract in Kings County that is leased to a clothing and fur storage company. The loan proceeds help to stabilize and revitalize the immediate area by retaining jobs for LMI individuals.

a. Flexible and/or Innovative Lending Practices:

HAB made no use of flexible or innovative lending practices.

**B. Investment Test: Low Satisfactory**

*The Department evaluated HAB’s investment performance pursuant to the following criteria:*

- (1) The dollar amount of qualified investments;*
- (2) The innovativeness or complexity of qualified investments; and*
- (3) The responsiveness of qualified investments to the credit and community development needs of the assessment area.*

## HABIB AMERICAN BANK – CRA PERFORMANCE EVALUATION

### 1. Qualified Investments

During the evaluation period, HAB made \$3.4 million in new qualified investments and had no qualified investments outstanding from prior evaluation periods. In addition, HAB made \$179,100 in qualified grants. This demonstrated an adequate level of qualified investments and grants over the course of the evaluation period.

<b>Qualified Investments and Grants</b>				
	<b>This Evaluation Period</b>		<b>Outstandings from Prior Evaluation Periods</b>	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing				
Economic Development	17	3,400		
Community Services				
Revitalization/Stabilization				
<b>Total</b>	<b>17</b>	<b>3,400</b>	<b>0</b>	<b>0</b>
CD Grants	# of Grants	\$000	<i>Not Applicable</i>	
Affordable Housing				
Economic Development	5	48		
Community Services	23	132		
Revitalization/Stabilization				
<b>Total</b>	<b>28</b>	<b>179</b>		

Below are highlights of the Bank’s qualified investments and grants.

- HAB invested \$2.4 million in renewable certificates of deposit at four community development financial institutions (“CDFI’s”) which provide needed financial services and products in underserved communities and to the low- and moderate-income population within the Bank’s assessment area.
- HAB invested a total of \$2.5 million in a CRA qualified investment fund that allocates the funds specifically in the Bank’s various assessment areas to help meet the credit needs of LMI borrowers and promote affordable housing. HAB has received DFS CRA credit for \$1.0 million invested in its New York assessment area, but not for the remaining \$1.5 million invested in the Bank’s out of state assessment areas.
- HAB made grants totaling \$35,000 to a nonprofit organization that empowers children, families, and immigrant communities by providing various community services that include mental health, housing, senior care, and workforce development training.
- HAB made grants totaling \$25,000 to a nonprofit economic development organization that

## HABIB AMERICAN BANK – CRA PERFORMANCE EVALUATION

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helps individuals from underserved communities reach their full potential through job training and career development and a range of other programs designed to help them become productive and responsible individuals.

- The Bank donated a total of \$20,000 to a nonprofit organization whose primary mission is to provide capital, educational resources, coaching, and networking for small businesses. These funds help to meet the banking and credit needs of low-income, underserved, small business owners and entrepreneurs, including minority- and women-owned businesses.

### 2. Innovativeness of Qualified Investments:

HAB made no use of innovative investments to support community development.

### 3. Responsiveness of Qualified Investments to Credit and Community Development Needs:

HAB's qualified investments exhibited adequate responsiveness to the assessment area's credit and community development needs.

### **C. Service Test: Needs to Improve**

The Department evaluated HAB's retail service performance pursuant to the following criteria:

- (1) The current distribution of the banking institution's branches;
- (2) The institution's record of opening and closing branches;
- (3) The availability and effectiveness of alternative systems for delivering retail services; and
- (4) The range of services provided.

The Department evaluated HAB's community development service performance pursuant to the following criteria:

- (1) The extent to which the banking institution provides community development services; and
- (2) The innovativeness and responsiveness of community development services.

#### 1. Retail Banking Services:

HAB has an adequate branch network, delivery systems, branch hours and services, and alternative delivery systems, including as it relates to LMI individuals.

##### a. Current distribution of the banking institution's branches:

HAB has an adequate distribution of branches within its assessment area.

As of the evaluation period, two of HAB's branches were in middle-income census tracts and one branch was in an upper-income census tract. While none of HAB's banking offices are located in LMI census tracts, one branch is adjacent to several LMI census tracts. Additionally, all of HAB's branches are accessible by public transportation...

## HABIB AMERICAN BANK – CRA PERFORMANCE EVALUATION

Distribution of Branches within the Assessment Area							
County	N/A	Low	Moderate	Middle	Upper	Total	LMI
	#	#	#	#	#	#	%
Nassau				1		1	0%
New York					1	1	0%
Queens				1		1	0%
<b>Total</b>	-	-	-	2	1	3	0%

*b. Record of opening and closing branches:*

In December of 2022, HAB closed its branch at 112-17 Liberty Avenue, Richmond Hill, NY located in a middle-income census tract, reducing the number of branches in the Bank’s New York State assessment area from four to three as noted in the table above.

HAB’s record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, including LMI geographies and/or LMI individuals.

*c. Availability and effectiveness of alternative systems for delivering retail services:*

HAB’s delivery systems are reasonably accessible to portions of the Bank’s assessment area, including LMI geographies and individuals. Alternative delivery systems offered by the Bank include online banking services, remote deposit capture, debit cards, 24-hour telephone banking, and business online payroll services.

*d. Range of services provided:*

HAB’s services did not and do not vary in a way that inconveniences its assessment area, including LMI geographies and individuals.

The Bank offers various retail products and services that benefit LMI individuals and small businesses, including a basic banking account, SBA lending programs, secured and unsecured small business lines, asset-based lending, account receivable financing, trade finance services, documentary collections, and post export financing.

2. Community Development Services:

HAB provided a limited level of community development services during the evaluation period. An officer of the Bank serves as a board member of community development organizations involved in community development activities.

As outlined in the table below, HAB provided 13 instances of qualified community development services during the evaluation period. HAB’s community development services were performed by one officer of the Bank who provided board membership services and facilitated a webinar during the evaluation period.

## HABIB AMERICAN BANK – CRA PERFORMANCE EVALUATION

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Community Development Services	
Activity Type	Number of Activities
On-Going Board & Committee Memberships	12
Technical Assistance	
Webinars	1
Credit Counseling	
Other Services	
<b>Total Community Development Services</b>	<b>13</b>

Below are highlights of HAB's community development services.

- A senior executive vice president of HAB serves on the board of various nonprofit organizations that provide essential community services to LMI individuals within the Bank's assessment area. Such services include health services, youth services, and education.
- HAB hosted a cybersecurity webinar for small businesses during the evaluation period. The event, which was hosted as an educational opportunity for business owners to protect their businesses from cyberattack, included topics such as network and system security, scams and social media, employee awareness and training, monitoring, and controls.

### **D. Additional Factors**

The following factors were also considered in assessing HAB's record of performance.

1. The extent of participation by the banking institution's board of directors or board of trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the CRA.

HAB's CRA activities are overseen by its CRA committee consisting of members of senior management, including the Bank's Chief Executive Officer and President. HAB's Board of Directors appoints the Bank's CRA officer and approves and reviews the Bank's CRA program on an annual basis. The CRA officer is tasked with the responsibility of monitoring and evaluating the Bank's CRA performance.

2. 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 examiners did not note practices by HAB intended to discourage applications for the types of credit offered by HAB.

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

## HABIB AMERICAN BANK – CRA PERFORMANCE EVALUATION

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

### 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.*

HAB's assesses the credit needs of its community primarily through direct contact with its customers and ongoing interactions with community groups and various organizations within its assessment area. Members of HAB management contact customers to determine and discuss specific credit requirements. As part of these efforts, HAB has also partnered with a third-party vendor to assist the Bank with its CRA initiatives.

- *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*

HAB's marketing efforts include an active calling program in which all branch managers and members of senior management are required to participate. The program is designed to make members of the community, including small business owners, aware of the products and credit services offered by the Bank. In addition, HAB advertises its products and services through community-oriented publications to inform the community about the various credit services offered by the Bank.

- *Action Taken in Response to Written Complaints with Respect to CRA*

Neither HAB nor DFS received any written complaints regarding HAB's CRA performance during the evaluation period.

### 4. Other factors that in the judgment of the Superintendent bear upon the extent to which HAB is helping to meet the credit needs of its entire community

DFS examiners noted no other factors.

## 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 (DFS multifamily industry letter [www.dfs.ny.gov/industry\\_guidance/industry\\_letters/il20141204\\_guidelines\\_bank\\_lending\\_multifamily\\_properties\\_cra\\_updated](http://www.dfs.ny.gov/industry_guidance/industry_letters/il20141204_guidelines_bank_lending_multifamily_properties_cra_updated) ) ;

## HABIB AMERICAN BANK – CRA PERFORMANCE EVALUATION

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- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are 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

### **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 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 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.

### **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 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;

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- 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.