



PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION OF Israel Discount Bank of New York

AS OF March 31, 2023

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 Israel Discount Bank of New York (“IDB Bank” 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, 2023.

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 back of this Evaluation.

II- OVERVIEW OF INSTITUTION’S PERFORMANCE

The Department evaluated IDB Bank’s performance according to the community development test for wholesale banking institutions pursuant to Section 76.11 of the GRS. The evaluation period covered January 1, 2020 to March 31, 2023. The Department assigned IDB Bank a rating of “1” indicating an “**Outstanding**” record of helping to meet community credit needs.

This rating is based on the following criteria:

A. Community Development Test:

IDB Bank’s community development performance demonstrated a high 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, IDB Bank originated \$200.8 million in new community development loans, and still had \$69 million outstanding from prior evaluation periods.

Qualified Investments:

During the evaluation period, IDB Bank made \$40.9 million in new qualified investments and had no investments outstanding from prior evaluation periods. In addition, the Bank made \$32,900 in qualified grants.

Community Development Services:

During the evaluation period, IDB Bank performed 11 community development services.

B. Innovative or Complex Practices:

IDB Bank demonstrated an occasional use of flexible community development practices.

C. Responsiveness to Credit and Community Development Needs:

IDB Bank demonstrated a high 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.

III - PERFORMANCE CONTEXT

A. Institution Profile

IDB Bank is a New York State-chartered commercial bank. IDB Bank is a wholly owned subsidiary of Discount Bancorp Inc., a bank holding company, which is a wholly owned subsidiary of Israel Discount Bank Limited headquartered in Tel Aviv, Israel, and one of the largest commercial banking institutions in Israel.

IDB Bank operates seven banking offices in four states; three in New York State; one in New Jersey, one in Florida, and two in California. The Bank also has one loan production office in Long Island, New York.

IDB Bank primarily serves commercial customers. In addition to traditional checking, savings and certificates of deposit accounts and loan products, the Bank also offers wealth and investment management, trust administration services, as well as foreign exchange and interest rate derivative products.

In its Consolidated Report of Condition (the “Call Report”) as of December 31, 2022, filed with the Federal Deposit Insurance Corporation (“FDIC”), reported total assets of \$12.5 billion, of which \$8.2 billion were net loans and lease financing receivables. It also reported total deposits of \$10.5 billion, resulting in a LTD ratio of 78.1%. According to the latest available comparative deposit data as of June 30, 2022, the Bank had a market share of 0.3%, or \$7.8 billion in a market of \$2.4 trillion, ranking it 26th among 119 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 Call Reports as of December 31, 2020, December 31, 2021 and December 31, 2022.

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2020		2021		2022	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	73,561	1.0	87,563	1.0	109,735	1.3
Commercial & Industrial Loans	2,828,688	38.8	3,485,401	40.8	3,356,023	40.7
Commercial Mortgage Loans	1,954,126	26.8	2,208,821	25.9	2,302,633	27.9
Multifamily Mortgages	550,274	7.6	718,240	8.4	658,971	8.0
Consumer Loans	19,037	0.3	11,456	0.1	12,633	0.2
Loans to Non-depository Institutions	254,333	3.5	339,229	4.0	285,841	3.5
Construction Loans	191,250	2.6	168,163	2.0	126,864	1.5
Other Loans	1,415,765	19.4	1,516,572	17.8	1,397,335	16.9
Total Gross Loans	7,287,034		8,535,445		8,250,035	

As illustrated in the above table, is primarily a commercial lender, with 68.8% of its loan portfolio in commercial & industrial (40.7%) and commercial mortgage (27.9%) loans.

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

ISRAEL DISCOUNT BANK, NEW YORK – CRA PERFORMANCE EVALUATION

B. Assessment Area

The Bank's assessment area consists of Bronx, Kings, Nassau, New York, Putnam, Queens, Richmond, Rockland, Suffolk and Westchester counties.

There are 3,343 census tracts in the Bank's assessment area, of which 321 are low-income, 729 are moderate-income, 1,154 are middle-income, 966 are upper-income, and 173 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
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
Putnam	0	0	0	2	22	24	0.0
Queens	52	26	157	325	165	725	25.2
Richmond	7	3	13	42	61	126	12.7
Rockland	1	11	11	10	47	80	27.5
Suffolk	8	5	90	220	62	385	24.7
Westchester	6	10	27	49	149	241	15.4

C. Demographic & Economic Data

The assessment area had a population of 13,166,338 during the evaluation period. Approximately 15% of the population were over the age of 65 and 22.3% were under the age of 16.

Of the 2,955,113 families in the assessment area 25.9% were low-income, 15.9% were moderate-income, 17.4% were middle-income and 40.8% were upper-income. There were 4,626,892 households in the assessment area, of which 14.1% had income below the poverty level and 3.7% were on public assistance. The weighted average median family income in the assessment area was \$104,703.

There were 5,091,225 housing units within the assessment area, of which 52.2% were one- to four-family units and 47.4% were multifamily units. A majority (49%) of the housing units were rental-occupied units, while 41.9% were owner-occupied.

Of the total 2,495,432 rental-occupied units, 47% were in LMI census tracts while 51.6% were in middle- and upper-income census tracts. Average monthly gross rent was \$1,605.

Of the 2,131,460 owner-occupied housing units, 16.9% were in LMI census tracts while 82.6% were in middle- and upper-income census tracts. The median age of the housing stock was 72 years, and the median home value in the assessment area was \$629,972.

There were 1,756,752 non-farm businesses in the assessment area. Of these, 91.7% were businesses with reported revenues of less than or equal to \$1 million, 3.2% reported revenues of

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more than \$1 million and 5.2% did not report their revenues. Of all the businesses in the assessment area, 97.4% were businesses with less than 50 employees while 95.3% operated from a single location. The largest industries in the area were services (34.6%), retail trade (11.1%) and finance insurance and real estate (9.6%); 29.3% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, Putnam County had the lowest average unemployment rates for 2020 and 2021, while Rockland County had the lowest rate for 2022 for all counties in the Bank's assessment area. Bronx County had the highest average annual unemployment rates for each year of the evaluation period. In 2020, at the height of the COVID-19 pandemic, three counties experienced double-digit unemployment rates: 16% for Bronx County, 12.4% for Kings County and 10.5% for Richmond County. By 2022, the statewide unemployment rate and the unemployment rates for all counties in the assessment area significantly improved as the COVID-19 pandemic moderated.

Assessment Area Unemployment Rate											
	Statewide	Bronx	Kings	Nassau	New York	Putnam	Queens	Richmond	Rockland	Suffolk	Westchester
2020	9.8	16.0	12.4	8.0	9.5	7.2	12.4	10.5	7.7	8.1	8.0
2021	7.0	13.8	10.3	4.5	7.7	4.2	9.8	8.9	4.4	4.6	4.8
2022	4.3	7.8	5.9	2.9	4.6	2.9	5.2	5.5	2.8	3.1	3.1
Average of Years above	7.0	12.5	9.5	5.1	7.3	4.8	9.1	8.3	5.0	5.3	5.3

D. Community Information

Examiners, as a part of the Evaluation of IDB Bank, conducted a community contact interview with the executive director of a nonprofit organization based in Westchester County, to gain additional insight into banking and credit needs of the community in the assessment area.

The organization is involved in a wide variety of community services, such as food justice, fair housing and renewable energy.

The interviewee noted that there is a significant income disparity in Westchester County, which is home to million-dollar houses and pockets of poverty primarily in Yonkers, New Rochelle and Mount Vernon where some residents live paycheck to paycheck. The level of residents in the county that experience food insecurity continues to increase especially after government benefits were cut as the COVID-19 pandemic declined. Many LMI workers living in the community conduct their financial business using money transmitters and check cashers that charge higher fees than banks. Other community needs include access to affordable housing, as due to the high cost of housing in the county LMI individuals and families, as well as young professionals, find themselves priced out of the housing market.

IV - PERFORMANCE TEST AND ASSESSMENT FACTORS

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

Performance criteria include:

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

In addition, the following factors are also considered in assessing IDB’s record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications; evidence of prohibited discriminatory or other illegal credit practices; the Bank’s record of opening and closing offices and providing services at offices; and process factors such as activities to ascertain credit needs; and the extent of marketing and special credit related programs. Finally, the Evaluation considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

DFS derived statistics employed in this Evaluation from various sources. IDB Bank 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 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 the period from January 1, 2020 to March 31, 2023.

In its prior Community Reinvestment Act Performance Evaluation as of December 31, 2019, DFS assigned IDB Bank a rating of “1”, reflecting an “Outstanding” compliance with regulatory standards.

Current CRA Rating: Outstanding

A. Community Development Test:

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

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1. Community Development Lending:

During the evaluation period, IDB Bank originated \$200.8 million in new community development loans, and still had \$69 million outstanding from prior evaluation periods. This resulted in total community development lending of \$269.8 million.

The \$200.8 million in new community development loans made during the current evaluation period was only a slight decrease from the \$204.7 million recorded in the prior evaluation period (3.25 years). Also IDB Bank's new community development loans supported all four qualified community development categories of community services (49.6%), affordable housing (10.8%), economic development (15.5%), and revitalization and stabilization (24.1%).

Community Development Loans				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
Purpose	# of Loans	\$000	# of Loans	\$000
Affordable Housing	3	21,600		
Economic Development	9	31,055		
Community Services	6	99,693	4	69,000
Revitalization /Stablization	6	48,446		
Total	24	200,794	4	69,000

Below are highlights of IDB Bank community development lending.

- IDB Bank originated loans totaling \$81.8 million containing a mortgage consolidation, term loan and line of credit to a nonprofit organization that operates a skilled nursing health care facility with more than 300 beds. The facility offers extended stays to seniors and provides short- and long-term rehabilitation, memory care and hospice care. The majority of patients are Medicaid recipients.
- The Bank financed a \$14 million loan for the acquisition of a multifamily apartment building with 68 units in a low-income census tract in Bronx County. The borrower plans to lease all the units in the building under a local government rental assistance program which supplements rents paid by qualified low-income individuals and families so they do not pay more than 30% to 40% of their gross income towards rent.
- IDB Bank renewed a \$13.5 million line of credit to a nonprofit organization that provides various services to people of all ages with developmental disabilities, such as autism spectrum disorders, cerebral palsy, Down's Syndrome and other learning disabilities. The organization offers clinical services, day services, education, employment support, family support, residential services and service finder and resources.

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2. Qualified Investments:

During the evaluation period, IDB Bank made \$40.9 million in new qualified investments and had no investments outstanding from prior evaluation periods. In addition, the IDB Bank made \$32,900 in qualified grants.

The \$40.9 million in new qualified investments made during the current evaluation period represented an increase from the \$16.5 million recorded in the prior evaluation period. All of IDB Bank's new investments were made to support affordable housing, a primary need in the Bank's assessment area.

Qualified Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
CD Investments	# of Inv.	\$000	# of Inv.	\$000
Affordable Housing	4	\$ 40,864		
Economic Development				
Community Services				
Other				
Total	4	\$ 40,864	0	0
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	1	\$ 3		
Economic Development				
Community Services	6	\$ 30		
Other				
Total	7	\$ 33		

Below are highlights of IDB Bank community development investments and grants.

Investments

- IDB Bank made investments of \$40 million in mortgage-backed securities ("MBS") issued by Government National Mortgage Association ("GNMA" or "Ginnie Mae"). The underlying mortgages were secured by multifamily properties providing affordable housing for LMI individuals and families. The properties are located in low-income tracts in Nassau County and in moderate-income census tracts in Bronx County.

Grants

- IDB Bank donated \$12,000 to a nonprofit organization that helps people in need. The organization distributes merchandise donated by various companies in the fashion, home and children's industries, including clothes, accessories, shoes, home furnishings, toys, books and other useful items.
- The Bank made a grant of \$10,000 to a nonprofit organization that helps youths to recognize their full potential through mentorship. The organization serves all youths living in underserved and high-risk communities throughout New York City.

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3. Community Development Services:

During the evaluation period, IDB Bank performed 11 community development services, which included board and committee memberships of community organizations and providing financial literacy and expertise to youth and small business owners.

Community Development Services	
Activity Type	Number of Activities
On-Going Board & Committee Memberships	5
Technical Assistance	
Seminars	
Credit Counseling	
Other Services (Financial Literacy)	6
Total Community Development Services	11

Below are highlights of the Bank's community development services;

- A senior vice president of IDB Bank served as a member of the board of an economic development corporation with a mission to enhance Richmond County's economy by promoting public and private investments. The organization offers free services to local businesses that include assistance with financing, technology and job training.
- A senior vice president served as the treasurer of a nonprofit organization whose mission it is to provide local residents, including children, seniors, at risk youth and families, with services and programs focused on education, counseling and job placement to improve their overall well-being.
- A senior vice president served as a member of the board of a business network organization that offers its more than 70 members a range of services and products, in addition to the opportunity to share business experiences, both good and bad, as well as ideas and referrals.

B. Innovative or Complex Practices:

IDB Bank demonstrated occasional use of innovative or complex community development practices.

The Bank made a mortgage consolidation, term and line of credit loan to support the operations of a 300-bed health facility.

C. Responsiveness to Credit and Community Development Needs:

IDB Bank demonstrated a high level of responsiveness to credit and community development needs.

The Bank provided community development loans that supported all four community development categories addressing credit and community needs, while investments solely supported affordable housing, a primary need all counties of the Bank's assessment area.

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

The board's Compliance Committee ("CC") provides oversight of the Bank's CRA program, plan, compliance and performance. Senior management of IDB Bank will direct CRA activities in line with its business strategy and the credit needs of the community and will assess the Bank's CRA efforts and performance on an ongoing basis.

The board appoints a CRA officer whose responsibilities include developing a CRA plan, periodic reporting on the Bank's CRA performance (via a self-assessment) and ensuring the CRA program is approved annually by the CC and appropriate staff receives periodic CRA training.

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

IDB Bank did not open or close any branches during the evaluation period, but in 2021 the Bank relocated its New York headquarters to 1114 Avenue of the Americas, New York, NY. As a wholesale bank, IDB Bank does not offer retail services to the general public.

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.*

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IDB Bank maintains ongoing relationships with nonprofit organizations to help to ascertain the credit needs of its community; however, the pandemic impacted the level of outreach the Bank performed compared to prior periods.

- *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.*

IDB Bank's marketing activities, as a wholesale financial institution are limited. The Bank does not offer any consumer retail services or products to the general public that warrants special marketing activities. Mortgage loans for 1- 4 family residential properties are granted only on an accommodation basis to business clients.

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.

DFS 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 https://www.dfs.ny.gov/industry_guidance/industry_letters/il20141204_guidelines_bank_lending_multifamily_properties_cra_updated);
- Nonprofit organizations serving primarily LMI or other community development needs;

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- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean-up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

Community Development Service

“Community development service” means a service that has community development as its *primary purpose*, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

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Community Development Financial Institution (“CDFI”)

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

Fair Market Rents (“FMRs”)

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

Geography

“Geography” means a census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

The income level for borrowers is based on household or family income. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the Metropolitan Statistical Area (“MSA”) or statewide nonmetropolitan median income.

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

LMI Geographies

“LMI geographies” means those census tracts or block numbering areas where, according to the most current U.S. Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a MSA or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of Block Numbering Areas (“BNAs”) and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

“LMI borrowers” means borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the Federal Financial Institutions Examination Council (“FFIEC”).

LMI Individuals/Persons

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

LMI Penetration Rate

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

Low-Income Housing Tax Credit (“LIHTC”)

LIHTC were created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low-income Americans. The tax credits provide a dollar-for-dollar reduction in a taxpayer’s federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

Minority Depository Institutions (“MDIs”)

An MDI is defined as a federal insured depository institution for which (1) 51 percent or more of the voting stock is owned by minority individuals; or (2) a majority of the board of directors is

minority and the community that the institution serves is predominantly minority. For more of MDIs, go to FDIC.gov (Minority Depository Institutions Program) including list of MDIs.

New Markets Tax Credit (“NMTC”)

The NMTC Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (“CDEs”). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer’s investments to make qualified investments in low-income communities. The Fund is administered by the CDFI Fund, an agency of the United States Department of the Treasury.

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;

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- 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.