

# **PUBLIC DISCLOSURE**

**October 10, 2006**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**BPD BANK  
RSSD No. 66015**

**90 BROAD STREET  
NEW YORK, NEW YORK 10004**

**Federal Reserve Bank of New York  
33 Liberty Street  
New York, New York 10045**

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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***INSTITUTION'S CRA RATING:*** BPD Bank (“BPD”) is rated “**OUTSTANDING.**”

The major factors supporting BPD’s rating include:

- High levels of community development loans, qualified investments and community development services;
- Excellent use of innovative or complex community development loans, qualified investments and community development services; and,
- Excellent responsiveness to credit and community development needs in the bank’s assessment area.

**SCOPE OF EXAMINATION**

BPD’s performance was evaluated using the Interagency Procedures and Guidelines for Wholesale and Limited Purpose Institutions. The evaluation covers BPD’s activity from July 1, 2004 through June 30, 2006. Examiners also reviewed information received from contacts with community development organizations in order to gain an understanding of local credit needs.

**DESCRIPTION OF INSTITUTION**

BPD is a New York State-chartered commercial bank headquartered in New York, New York. The bank reported total assets of \$478 million as of June 30, 2006, a 48% increase from June 30, 2004. BPD is a wholly owned subsidiary of Grupo Popular, S.A., a financial service holding company based in Santo Domingo, Dominican Republic. Established in 1986 as The Dominican Bank, the bank changed its name in 1990 to BPD International Bank, which became BPD Bank in 2003.

The Federal Reserve Board of Governors designated BPD as a wholesale bank on February 5, 2004 and this status was verified at this examination. The bank does not extend home mortgages, small business loans, or consumer credit to retail customers except on an accommodation basis to its existing customers.

BPD maintains trade-related services under loan and letter of credit arrangements to banks and other companies based primarily in Latin American and Caribbean countries. The institution has also established a private bank focusing on entrepreneurs. Most of the bank’s domestic retail banking customers are Dominican nationals residing in the New York area. In addition, BPD provides domestic loans for community development purposes such as affordable housing. BPD did not make any loans to non-clients during the examination period.

BPD’s previous CRA examination was conducted as of September 27, 2004, at which time the bank was evaluated as a wholesale CRA bank and given an overall rating of “Outstanding.” There are no financial or legal factors that would prevent BPD from fulfilling its obligations under CRA.

## DESCRIPTION OF ASSESSMENT AREA

BPD's assessment area is located within MSA 35620 (New York-Northern New Jersey-Long Island, NY-NJ-PA). It includes New York City's five boroughs of the Bronx, Kings, New York, Richmond, Queens Counties and Nassau, Suffolk and Westchester counties. Nassau and Suffolk counties are located in the Metropolitan Division (MD) 35004 and the other counties are located within MD 36544. The assessment area does not arbitrarily exclude low- and moderate-income ("LMI") geographies and is in compliance with the requirements of Regulation BB Section 228.41.

## PERFORMANCE CONTEXT

The data used to describe the assessment area and evaluate the context in which the bank operates was obtained from publicly available sources including the U.S. Department of Commerce's Bureau of the Census, the U.S. Department of Labor, the U.S. Department of Housing and Urban Development ("HUD") and the New York City Department of Housing Preservation and Development ("HPD").

### Demographic Characteristics

According to the 2000 Census, the population in the assessment area exceeds 11 million, representing an 8% increase since 1990. Much of that increase is the result of immigration. Almost 2.9 million of the city's population, or 36%, was born outside the United States. Flexible underwriting is needed for recent immigrants who may have limited credit histories and nontraditional incomes. In addition, immigrants may be unfamiliar with the credit application process and could benefit from financial literacy education. Almost 35% of the census tracts in the assessment area are LMI, with those areas concentrated in upper Manhattan, northern Brooklyn and Bronx County.

### Income Characteristics

The 2005 HUD-adjusted median family income ("MFI") for MD 35644 (New York-White Plains-Wayne, NY-NJ) is \$56,271 and the 2005 HUD-adjusted MFI for MD 35004 (Nassau and Suffolk Counties) is \$88,840. A significant proportion of families, almost 14%, subsist below the poverty level in the assessment area. In Bronx County, 28% of families are living below the poverty level. New York City also has a large proportion of non-family households which tend to have lower incomes. Only 66% of households in the bank's assessment area are families.

### Housing Characteristics

Housing is expensive relative to income levels in New York City, causing significant affordability issues for the LMI population. According to the National Association of Realtors, the median price of a single-family home in MD 35644 was \$497 thousand in 2005, increasing from \$386 thousand in the 2004. These prices are unaffordable to LMI families, and even many middle-income borrowers.

The assessment area also has a shortage of affordable rental housing, with an increasing gap between renter incomes and the cost of housing. According to HPD's 2005 New York City Housing and Vacancy Survey, the median income of renter households was \$32 thousand in 2004 while the median monthly gross rent was \$920 in 2005. In addition, the survey noted that almost 29% of all renter households in New York City paid more than 50% of their income for gross rent.

The assessment area also has a significant homeless population. According to a Coalition for the Homeless report, in the second half of 2005 municipal homeless shelters were filled with nearly 32,000 people each night, with homeless families making up 75% of the shelter population. In addition, over 98 thousand different individuals resided in shelters at some point in 2005 and close to 119 thousand street homeless people were contacted by New York City-funded homeless outreach teams.

The sharp disparity between incomes and costs of either owned or rented housing indicates that the LMI population needs affordable mortgage programs and rental property development. In addition, programs to develop housing for the lowest income New Yorkers are especially needed.

#### Labor, Employment and Economic Characteristics

Employment stabilized and unemployment rates decreased somewhat during the examination period. The New York State Department of Labor reported that the annual average unemployment rate for MD 35644 was 6.4% in 2005, down from 7.4% in 2004. For MD 35004, the average annual unemployment rate decreased from 4.6% in 2004 to 4.1% in 2005. While the annual average for 2006 is not yet available, 2006 rates reflect a continued downward trend throughout the entire assessment area.

The table on the following page provides additional assessment area demographics.

### Assessment Area Demographics

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	334	11.0	318,735	11.3	130,283	40.9	732,342	26.0
Moderate-income	718	23.7	706,057	25.0	150,305	21.3	468,667	16.6
Middle-income	1,077	35.5	1,023,804	36.3	78,335	7.7	523,902	18.6
Upper-income	828	27.3	770,774	27.3	28,618	3.7	1,094,459	38.8
Unknown-income	78	2.6	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>3,035</b>	<b>100.0</b>	<b>2,819,370</b>	<b>100.0</b>	<b>387,541</b>	<b>13.7</b>	<b>2,819,370</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		#	%	%	#	%	#	%
Low-income	483,503	32,202	1.7	6.7	420,254	86.9	31,047	6.4
Moderate-income	1,111,898	252,608	13.7	22.7	787,992	70.9	71,298	6.4
Middle-income	1,551,975	820,043	44.4	52.8	650,273	41.9	81,659	5.3
Upper-income	1,383,305	743,668	40.2	53.8	568,343	41.1	71,294	5.2
Unknown-income	150	5	0.0	3.3	28	18.7	117	78.0
<b>Total Assessment Area</b>	<b>4,530,831</b>	<b>1,848,526</b>	<b>100.0</b>	<b>40.8</b>	<b>2,426,890</b>	<b>53.6</b>	<b>255,415</b>	<b>5.6</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	#
Low-income	24,836	5.4	21,264	5.5	2,109	4.0	1,463	8.7
Moderate-income	79,528	17.4	68,241	17.6	7,478	14.3	3,809	22.7
Middle-income	152,284	33.3	131,993	34.0	14,968	28.6	5,323	31.7
Upper-income	195,843	42.9	163,148	42.1	26,621	50.9	6,074	36.2
Unknown-income	4,354	1.0	3,135	0.8	1,086	2.1	133	0.8
<b>Total Assessment Area</b>	<b>456,845</b>	<b>100.0</b>	<b>387,781</b>	<b>100.0</b>	<b>52,262</b>	<b>100.0</b>	<b>16,802</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>84.9</b>		<b>11.4</b>		<b>3.7</b>

Based on 2000 Census Information.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

BPD provided an excellent level of community development loans, qualified investments and community development services that were targeted to maximize benefit for credit and community development needs in the assessment area. In many cases, qualifying activities were innovative and/or complex.

### Community Development Lending

As shown in Exhibit 1, BPD's community development lending within the assessment area totaled \$83 million. Of this total, \$77 million was originated since the prior CRA examination. The level of BPD's community development lending activities compared favorably with other similarly situated banks operating in the assessment area. BPD is able to get credit for qualifying community development activities outside of its assessment area because it has adequately addressed community development credit needs within its assessment area.

<b>EXHIBIT 1</b>		
<b>Summary of Community Development Lending Within Assessment Area July 1, 2004 – June 30, 2006*</b>		
<b>Primary Community Development Purpose</b>	<b>(\$ millions)</b>	<b>%</b>
Affordable Housing	\$59	71%
Community Services	\$9	11%
Revitalize and Stabilize	\$8	10%
Economic Development	\$7	8%
<b>TOTAL ACTIVITY</b>	<b>\$83</b>	<b>100%</b>

*\*Lending activity includes new loans extended during the examination period as well as existing balances from the prior examination that were outstanding as of 6/30/06.*

BPD provided 50 community development loans totaling \$83 million compared with 11 loans totaling \$26 million at the previous examination. In addition, BPD issued 5 letters of credit, totaling \$938 thousand with a community development purpose.

An analysis was conducted comparing BPD's annualized community development loans as a percentage of total assets with 6 similarly situated banks. BPD had the highest ratio of community development loans to assets of all the banks compared. Many of the loans were targeted to organizations that develop housing, services and businesses for the lowest income New Yorkers, such as the homeless, and were particularly responsive to the local community.

In an effort to leverage its lending, BPD maintains ongoing relationships with its intermediary borrowers that include investment and service activity as well.

The following are some examples of BPD's community development loans:

- A \$6 million commercial loan financing an affordable housing project in East Harlem located in a New York State Empowerment Zone.
- A \$5 million loan financing a multifamily affordable housing project located in Harlem in a moderate income census tract.
- A \$5 million loan financing a licensed small business lending company in accordance with the provisions of the United States Small Business Administration's regulations.
- A \$4 million loan financing an affordable housing project located in Brooklyn in a low income census tract. The construction loan was provided by the NYC Department of Housing Preservation and Development.

BPD's community development lending includes the use of innovative and flexible loan techniques involving affordable housing projects in conjunction with the New York City Department of Housing Preservation and Development (HPD) and with The Federal Department of Housing and Urban Development (HUD). These projects have included the financing for HUD 203K and 203B projects. In addition, BPD Bank is financing these types of projects which most financial institutions consider too small to fund.

**Qualified Investments**

<b>EXHIBIT 2</b> <b>Summary of Qualified Investments</b> <b>Within Assessment Area</b> <b>July 1, 2004 – June 30, 2006</b>		
<b>Primary Community Development Purpose</b>	<b>(\$millions)</b>	<b>%</b>
Economic Development	\$4	67%
Affordable Housing	\$1	33%
Community Services	<\$1	0%
Revitalize and Stabilize	<\$1	0%
<b>TOTAL ACTIVITY</b>	<b>\$6</b>	<b>100%</b>



Qualified investments totaled \$6 million; all of which are new investments and grants. An analysis was conducted comparing BPD's annualized community development investments as a percentage of total assets with 6 similarly situated banks. The bank had the highest ratio of qualified investments to assets of all banks compared.

A majority of the bank's investment activity targeted economic development activities financing small businesses, an important assessment area need. BPD has developed multi-faceted relationships with many of its community development partners. As a result, many of the qualifying grants are to organizations that also have been provided with community development loans as well as services.

Examples of the bank's annualized investments include:

- A \$2 million investment in collateral trust notes issued by a private, not-for-profit mortgage lender specializing in financing low-, moderate- and middle-income housing throughout New York and New Jersey. The lender is sponsored by a consortium of banks and insurance companies and offers a wide range of loan products including construction, permanent, and preservation financing as well as small building loans and credit enhancements.
- Five US SBA pool securities totaling \$3 million.
- One investment totaling \$100 thousand, is a nonmember deposit in a community development financial institution that serves LMI areas and residents in NYC.

### **Community Development Services**

BPD provided an excellent level of community development services in relation to the size of its staff as summarized in Exhibit 3.

<b>EXHIBIT 3 Summary of Community Development Services Within Assessment Area July 1, 2004 – June 30, 2006</b>	
<b>Activity Type</b>	<b>Number of Activities</b>
<b>On-Going Board &amp; Committee Memberships</b>	<b>6</b>
<b>Financial Advisory</b>	<b>5</b>
<b>TOTAL</b>	<b>11</b>

As previously described, the bank takes a multi-faceted approach to its CRA program and, as a result, services are part of overall lending and investment relationships with community development organizations.

Most of the services provided are ongoing activities requiring regular participation on Boards, loan committees and advisory committees of local community development organizations. Participation is at the highest levels, including the bank's president who serves on two board advisory committees of local community development organizations and was a keynote speaker at a financial literacy conference.

#### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices, including the Equal Credit Opportunity Act and the Fair Housing Act, was identified as being inconsistent with helping to meet community credit needs.

## CRA APPENDIX A GLOSSARY

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Community Development Financial Institution ("CDFI"):** A CDFI is an organization that has been certified by the U.S. Treasury as a provider of loans and services that assist specially funded institutions that revitalize LMI areas and assist LMI persons.

**Family:** A family is a group of two people or more related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered as members of one family.

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act ("HMDA"):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and

income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** A household consists of all persons who occupy a housing unit. Persons not living in households are classified as living in group quarters.

**Low-income:** Individual income that is less than 50% of the area median income, or a median family income that is less than 50%, in the case of a geography.

**Metropolitan Area (“MA”):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**Middle-income:** Individual income that is at least 80% and less than 120% of the area median income, or a median family income that is at least 80% and less than 120%, in the case of a geography.

**Moderate-income:** Individual income that is at least 50% and less than 80% of the area median income, or a median family income that is at least 50% and less than 80%, in the case of a geography.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Small loan(s) to business (es):** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (“Call Report”) and the Thrift Financial Reporting (“TFR”) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Upper-income:** Individual income that is more than 120% of the area median income, or a median family income that is more than 120%, in the case of a geography.

# BPD Bank

## Assessment Area

July 1, 2004 - June 30, 2006

**Legend**

- County
- Assessment Area
- Branch

