

# **PUBLIC DISCLOSURE**

**January 12, 2009**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**STERLING BANK**

**1189 Hypoluxo Road  
Lantana, Florida**

**RSSDID Number: 147174**

**FEDERAL RESERVE BANK OF ATLANTA**

**1000 Peachtree Street, N.E.  
Atlanta, Georgia 30309-4470**

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 CR RATING:**

**This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The following table indicates the performance level of Sterling Bank with respect to the lending and community development tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS	
	Lending Test	Community Development Test
Outstanding		
Satisfactory	X	X
Need to Improve		
Substantial Noncompliance		

The following major factors support the overall CRA rating. Sterling Bank's average loan-to-deposit (LTD) ratio for the previous eight quarters ending September 30, 2008 is more than reasonable given the institution's size, financial condition, assessment area credit needs, and competition within the assessment area. A majority of the bank's loans and other lending related activities are made in the assessment areas. The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. The distribution of borrowers reflects reasonable penetration among individuals of different incomes and businesses of different sizes. The bank has not received any CRA-related complaints. The institution's community development performance demonstrates adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the bank's assessment areas.

**SCOPE OF EXAMINATION**

Sterling Bank's CRA performance evaluation was based on CRA activities in its assessment areas using the Interagency Intermediate Small Institution Examination Procedures. As of December 17, 2008, intermediate small banks are banks with assets of at least \$277 million as of December 31 of both of the prior two calendar years and less than \$1.109 billion as of December 31 of either of the prior two calendar years. These thresholds are adjusted annually and published by the Board of Governors of the Federal Reserve System. Under these procedures, effective as of September 1, 2005, institutions meeting the threshold size are evaluated under two separately rated tests: a lending test; and a community development test that includes an evaluation of community development loans, investments, and services in light of community needs and the capacity of the bank.

The evaluation included an analysis of HMDA and commercial loans originated from January 1, 2007 through September 30, 2008 in Palm Beach and Broward counties using 2000 census data to define the bank's assessment area. The loan data for the entire review period is included in the tables in the body of this report. Aggregate lending data is for 2007 HMDA lending only, and is included in the tables in Appendix B. Commercial loans exceeded HMDA loans by dollar volume and number during the review period, as a result,

commercial lending was given more weight in the determination of the overall CRA rating. A substantial majority of the bank's loans and deposits are in the Palm Beach Assessment area. Consequently, the lending activity in this assessment area was weighted more heavily than Broward when deriving the final overall rating. For purposes of CRA, HMDA loans are those loans defined in the Federal Reserve Board's Regulation C. The HMDA loan categories are home purchase, home refinance, home improvement, and multifamily loans.

For the community development test, the examination covered community development loans, qualified investments, and community development services from January 1, 2007 through December 31, 2008. A community development financing activity, as defined under the CRA, must have one of the following as its primary purpose:

- providing affordable housing or community services for low- or moderate-income persons
- promoting economic development through the financing of small businesses and farms
- revitalizing or stabilizing low- or moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies that benefit the assessment area or a larger statewide or regional area that includes the assessment area.

## **DESCRIPTION OF INSTITUTION**

Sterling Bank is a wholly-owned subsidiary of Sterling Banc Group, Inc., a single-bank holding company. Both the bank and holding company are headquartered in Lantana, Florida. The bank operates six offices; three in Lantana, Delray Beach, Palm Springs, Wilton Manors, and Fort Lauderdale. All of the offices have ATMs. Since the bank's previous CRA evaluation, the bank opened one branch office and did not close any branches. The Wilton Manors branch office, which is located in a middle-income census tract in Broward County, opened in April 2008.

According to the Consolidated Reports of Condition and Income, between December 31, 2006 and September 30, 2008, total assets increased 4.1 percent, from \$372.2 million to \$387.3 million. Total loans outstanding decreased 5.7 percent, from \$317.9 million to \$299.8 million, and total deposits increased by 12.1 percent, from \$291.1 million to \$326.3 million during the same period.

Sterling Bank offers a wide variety of credit products to meet community credit needs, including residential mortgage loans, including ARM loans, consumer purpose loans, home equity lines of credit, commercial loans, commercial real estate loans, and construction loans. However, the bank is primarily a commercial lender, with a high concentration of construction and development loans and commercial real estate loans. The bank offers traditional consumer loan products primarily as an accommodation to existing customers.

The composition of the loan portfolio according to the June 30, 2008 Consolidated Reports of Condition and Income is displayed in the table on the next page.

COMPOSITION OF LOAN PORTFOLIO						
Loan Type	6/30/2008		12/31/2007		12/31/2006	
	\$(000s)	Percent	\$(000s)	Percent	\$(000s)	Percent
Construction and Development	127,010	40.6%	134,317	41.2%	169,006	53.1%
Secured by One-to-Four-Family Dwellings	58,802	18.8%	59,923	18.4%	44,014	13.8%
Other Real Estate:						
Farmland	0	0.0%	0	0.0%	0	0.0%
Multifamily	11,476	3.7%	8,828	2.7%	8,859	2.8%
Nonfarm nonresidential	104,265	33.3%	108,307	33.3%	85,209	26.8%
Commercial and Industrial	9,398	3.0%	11,841	3.6%	8,337	2.6%
Loans to Individuals	2,123	0.7%	2,486	0.8%	2,772	0.9%
Agricultural Loans	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>\$313,074</b>	<b>100.00%</b>	<b>\$325,702</b>	<b>100.00%</b>	<b>\$318,197</b>	<b>100.00%</b>

\*This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers' acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contrabank assets are also not included in this table.

As indicated by the table above, the bank's loan portfolio primarily consists of construction and development loans, followed by nonfarm nonresidential loans, and loans secured by one-to-four-family dwellings. This is consistent with the bank's strategy, which promotes commercial and real estate lending. The bank makes a limited number of consumer loans. Adverse market conditions have impacted the bank's commercial loan portfolio as shown by the decrease in the dollar amount of construction and development loans from \$169 million as of December 31, 2006 to \$127 million as of June 30, 2008, which represents a 24.8 percent decline. The bank's total loan portfolio decreased by 1.6 percent over the same time period.

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Sterling Bank complies with the requirements of the CRA. No known legal impediments exist that would restrain the bank from meeting the credit needs of its assessment area. The bank received a "Satisfactory" rating at its previous evaluation conducted by the Federal Reserve Bank on January 8, 2007. The small bank CRA examination procedures were used at that examination.

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**DESCRIPTION OF ASSESSMENT AREA**

Sterling Bank has designated two assessment areas as an exception to the CRA. The first assessment area consists of one census tract located in the western part of the county and consists primarily of farmland and wildlife preserves. The second assessment area consists of two census tracts located in the eastern part of the county, and all of Broward County except for one census tract located in the western part of the county. The excluded census tracts are sparsely populated and consist primarily of farmland and wildlife preserves in the Florida Everglades. The bank's overall CRA rating was determined by evaluating both assessment areas using full scope examination procedures regarding geographic distribution of lending and lending to borrowers of different incomes and businesses of different revenue sizes. Palm Beach County and Broward County are part of the Miami-Fort Lauderdale-Pompano Beach MSA, which also includes Miami-Dade County. It is important to note that several conditions in the area are adversely affecting HMDA lending to low- and moderate-income borrowers. First, there is a lack of affordable housing in the Palm Beach County assessment area. According to the Florida Association of Realtors, the 2007 median sales price of homes in the West Palm Beach-Boca Raton-Boynton Beach MSA, which includes Palm Beach County, was \$369,400. Based on HUD's estimated median family income of \$30,600 or less, and moderate-income families with incomes between \$30,601 and \$48,960, cannot afford to buy homes. Second, the high cost of property taxes and home owners insurance in Palm Beach County also affects home affordability. Increases in premiums and hurricane deductibles have made home owner's insurance extremely expensive. In addition, property taxes have risen as a direct result of higher home prices and have remained high even with recent declines in property values.

Sterling Bank has designated two assessment areas as an exception to the CRA: all of Palm Beach County with the exception of one census tract located in the western part of the county, and all of Broward County except for one census tract located in the western part of the county. The excluded census tracts are sparsely populated and consist primarily of farmland and wildlife preserves in the Florida Everglades. The bank's overall CRA rating was determined by evaluating both assessment areas using full scope examination procedures regarding geographic distribution of lending and lending to borrowers of different incomes and businesses of different revenue sizes. Palm Beach County and Broward County are part of the Miami-Fort Lauderdale-Pompano Beach MSA, which also includes Miami-Dade County. It is important to note that several conditions in the area are adversely affecting HMDA lending to low- and moderate-income borrowers. First, there is a lack of affordable housing in the Palm Beach County assessment area. According to the Florida Association of Realtors, the 2007 median sales price of homes in the West Palm Beach-Boca Raton-Boynton Beach MD, which includes Palm Beach County, was \$369,400. Based on HUD's estimated median family income of \$30,600 or less, and moderate-income families with incomes between \$30,601 and \$48,960, cannot afford to buy homes. Second, the high cost of property taxes and home owners insurance in Palm Beach County also affects home affordability. Increases in premiums and hurricane deductibles have made home owner's insurance extremely expensive. In addition, property taxes have risen as a direct result of higher home prices and have remained high even with recent declines in property values.

**Lending Inside and Outside the Assessment Area**

Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	3	75.0	\$1,466	87.7	1	25.0	\$205	12.3
Home Purchase-Conventional	25	71.4	\$13,150	67.6	10	28.6	\$6,314	32.4
Multi-Family Housing	1	100.0	\$2,360	100.0	0	0.0	\$0	0.0
Refinancing	39	84.8	\$9,399	76.6	7	15.2	\$2,875	23.4
<b>Total HMDA related</b>	<b>68</b>	<b>79.1</b>	<b>\$26,375</b>	<b>73.7</b>	<b>18</b>	<b>20.9</b>	<b>\$9,394</b>	<b>26.3</b>
Commercial	107	84.3	\$74,241	78.6	20	15.7	\$20,171	21.4
<b>Total Commercial related</b>	<b>107</b>	<b>84.3</b>	<b>\$74,241</b>	<b>78.6</b>	<b>20</b>	<b>15.7</b>	<b>\$20,171</b>	<b>21.4</b>
<b>TOTAL LOANS</b>	<b>175</b>	<b>82.2</b>	<b>\$100,616</b>	<b>77.3</b>	<b>38</b>	<b>17.8</b>	<b>\$29,565</b>	<b>22.7</b>

Note: Affiliate loans not included

The table shows that 79.1 percent by number and 73.7 percent by dollar amount were extended to individuals in the bank's assessment area and 78.6 percent by number and 77.3 percent by dollar amount were extended to businesses in the bank's assessment area. This level of lending indicates that the bank is adequately serving the credit needs of individuals and businesses within its assessment area.

7 percent by dollar amount of the bank's HMDA loans were extended to individuals in the bank's assessment area. For the commercial loans, 84.3 percent by number and 78.6 percent by dollar amount were extended to businesses in the bank's assessment area. Overall, 82.2 percent of the bank's total loans were extended inside the bank's assessment area.

**Geographic Distribution of Loans**

The bank's geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas. This conclusion was based upon the bank's lending performance in both of its assessment areas compared to separate assessment area analyses for more information on Sterling Bank's distribution of lending throughout its assessment areas.

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**Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different revenue sizes. This conclusion was based upon the bank's lending performance in its assessment areas compared to available demographic and aggregate data as well as consideration of adverse economic circumstances and the bank's business focus on commercial lending. Please refer to the separate assessment area analyses for more information on Sterling Bank's penetration of lending among individuals of different income levels and businesses of different sizes.

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**Responsiveness to Complaints**

The bank has not received any CRA-related complaints since the previous examination.

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**Community Development Test**

According to the community development test, an institution should appropriately assess the needs in its community, engage in different types of community development activities based on those needs and the institution's capacity, and take reasonable steps to apply its community development resources strategically to

According to the community development test, an institution should appropriately assess the needs in its community, engage in different types of community development activities based on those needs and the institution's capacity, and take reasonable steps to apply its community development resources strategically to

meet those needs. Areas examined include community development lending, qualified investments, and community development services.

Sterling Bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment areas, considering the bank's capacity and the need and availability of such opportunities in the assessment area.

A community development loan is defined as a loan that has community development as its primary purpose that has not been reported or collected by the bank or an affiliate for consideration as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan. The bank originated four community development loans totaling \$3,684,500 to finance 51 affordable housing units during the review period. All of the properties were located in Palm Beach County. A detailed description of community development loans is discussed later in this report.

Sterling Bank's community development loans, qualified investments, and donations during the review period totaled \$1,087,453, including donations totaling \$3,453 and a qualified investment totaling \$1,084,000. The investment consists of a loan pool that contains eight mortgage loans, which were originated to low- and moderate-income borrowers. This investment benefited a broader geographic area including the bank's assessment area. Five of the eight loans, totaling \$703,000, are located in the bank's assessment area. Although the other three loans, totaling \$381,000, are located outside of the bank's assessment area, the investment serves low- and moderate-income borrowers in the state of Florida.

Donations totaling \$3,453 supported community services targeted to low- and moderate-income individuals and families or economic development. A description of these donations appears later in this report. Bank employees have used their financial expertise to provide financial and technical assistance to organizations that promote economic development and provide assistance to small businesses. The community development services show adequate responsiveness to the community development needs of the assessment areas. A description of these services appears later in this report.

The bank has six branch offices, four of which are located in the Palm Beach County assessment area and two are located in the Broward County assessment area. In Palm Beach County, the Palm Springs branch is located in a moderate-income tract and is adjacent to three moderate-income tracts. The Lantana office is in a moderate-income tract and is adjacent to one moderate-income tract. The Delray Beach branch is located in a moderate-income tract. The fourth branch in the Palm Beach assessment area, the Royal Palm Beach branch, is located in an upper-income tract but is adjacent to one moderate-income tract. All four of these branches have ATMs.

In the Broward County assessment area, both branches are located in middle-income census tracts. The Fort Lauderdale branch is adjacent to one low-income and two moderate-income tracts. The Wilton Manors branch is adjacent to two moderate-income tracts. Both of these branches have ATMs.

Alternative systems for delivering retail-banking services to the bank's assessment areas include SMART LINE, which is an automated phone banking line that gives customers access to information about their accounts and allows them to transfer funds between selected accounts 24 hours a day, 7 days a week. The bank also provides Internet banking.

### **Compliance with Antidiscrimination Laws**

Sterling Bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. The bank accepts applications from all segments of its communities, including low- and moderate-income areas.



No evidence of discrimination or the use of illegal credit practices was noted during the review of bank policies and procedures.

**Community Contacts**

As part of the CRA evaluation, information was obtained from one local government housing organization and from one county-wide economic development agency. Both contacts stated that opportunities are available for financial institutions to participate in affordable housing initiatives and programs to assist small businesses.

**METROPOLITAN AREAS REVIEWED USING FULL-SCOPE PROCEDURES**

**Description of Institution's Operations in Palm Beach County, Florida Assessment Area**

Sterling Bank's performance in the Palm Beach County assessment area was reviewed using full-scope examination procedures. 88.4 percent of the bank's HMDA loans and 66.4 percent of the bank's commercial loans were originated in the Palm Beach County assessment area during the review period. In addition, 66.7 percent of the bank's branches are located in the assessment area. Sterling Bank operates four banking offices and four ATMs in the Palm Beach assessment area. Three offices are located in moderate-income census tracts, and one office is located in an upper-income tract. According to the FDIC Market Share Report the bank had deposits of \$282.8 million in the assessment area as of June 30, 2008, representing 88.4 percent of the bank's total deposits.

Demographic Data by Census Tracts

2000 census demographic data was used to define the bank's assessment area for loans originated during the review period. The assessment area includes 255 census tracts. 10 are low-income tracts, 67 are moderate-income tracts, 88 are middle-income tracts, 89 are upper-income tracts, and 1 tract is not classified.

Population Information

According to the 2000 census, the population of Palm Beach County was 1,131,184 persons, which represented approximately 7.1 percent of the state of Florida's total population of 15,982,378 persons at the time. The population of Palm Beach County increased by 135,267 persons, or 12 percent, between the 2000 census and July 1, 2007 estimates.

Housing Characteristics

According to 2000 census information, there were 53,043 housing units in the assessment area, 64.1 percent of which were owner-occupied. In addition, the median housing value in the assessment area was \$115,791, which is 24.2 percent higher than the median housing value for the state at \$93,200. The median age of housing in the assessment area is 19 years, which is similar to the state of Florida at 20 years.

Income Characteristics

2000 census information shows there were 297,068 families in the assessment area. Of the total families in the assessment area, 19.2 percent were low-income, 18.6 percent were moderate-income, 20.7 percent were middle-income, and 41.6 percent were upper-income.

HUD Estimated Median Family Incomes for 2007 and 2008

The HUD-estimated median family incomes for the West Palm Beach-Boca Raton-Boynton Beach MSA, which includes the bank's Palm Beach assessment area, were \$61,200 in 2007 and \$66,000 in 2008. Based on the HUD estimated median family income for 2007, low-income families were those families with gross annual incomes of \$30,600 or less. Moderate-income families were families with gross annual incomes ranging from \$30,601 to \$48,960. Based on the HUD estimated median family income for 2008, low-income families were

those families with gross annual incomes of \$33,000 or less. Moderate-income families were families with gross annual incomes ranging from \$33,001 to \$52,800.

Employment Statistics

According to the 2006 Regional Economic Information Systems (REIS), total employment in Palm Beach County was 798,617 jobs. The top four industries were administrative and waste services, retail trade, health care and social assistance, and government and government enterprises.

According to the Business Development Board of Palm Beach County, the major employers in the assessment area include the Palm Beach County School Board (21,707 employees), Palm Beach County government (11,293 employees), Tenet Healthcare Corporation (4,500 employees), Hospital Corporation of America (3,411 employees), and Florida Power and Light (3,250 employees).

The following table provides the unemployment rates for the Palm Beach County assessment area, the Miami-Fort Lauderdale-Pompano Beach, FL MSA, and the state of Florida. The unemployment rate in this assessment area was slightly higher than that of the Miami-Fort Lauderdale-Pompano Beach, FL MSA, and the state of Florida in 2006 and 2007. For 2008, the unemployment rates for all three regions steadily increased from January to September; however, the rates in August and September were the highest rates all year. According to the Workforce Alliance, Inc., the nonagricultural industries in Palm Beach County that experienced the highest number of job losses from September 2007 to September 2008 include construction, manufacturing, financial activities, retail trade, and professional business services.

<b>UNEMPLOYMENT RATES (Not Seasonally Adjusted)</b>			
<b>Region</b>	<b>2006 (annualized)</b>	<b>2007 (annualized)</b>	<b>September 2008</b>
Palm Beach County	3.7	4.3	7.4
Miami-Fort Lauderdale-Pompano Beach, FL MSA	3.6	3.8	6.4
State of Florida	3.4	4.0	6.9

Business Size Characteristics

The table on page 10 provides key demographic business data by census tract income level in the Palm Beach County assessment area. The table indicates that, according to the 2000 census, 89.7 percent of the businesses had gross annual revenues of \$1 million or less in the assessment area. For purposes of this report, businesses with \$1 million or less in gross annual revenues are considered small businesses.

Competition

The bank operates in a highly competitive market. According to the FDIC Market Share Report as of June 30, 2008, there are 67 financial institutions operating 494 branches inside the assessment area. Sterling Bank ranked 17<sup>th</sup> among the competing financial institutions in the assessment area with \$282.8 million in deposits, which represented approximately 0.78 percent of the deposit market share in the assessment area. The number of locations operated by a single financial institution in the assessment area ranged from 1 to 84 locations. Credit products and deposit services are highly competitive with large regional and national banks leading the

competition. According to the 2007 HMDA Market Peer Report, the bank ranked 104<sup>th</sup> out of 750 reporters with a total of 43 HMDA loans originated. The top reporters of HMDA loans in the assessment area were Countrywide Home Loans, JP Morgan Chase Bank, Countywide Bank, Bank of America, and Washington Mutual Bank. These top five reporters accounted for 34 percent of the total loans originated, which may help explain the competitive impact of large regional and national banks on Sterling Bank's ability to originate HMDA loans.

Community Contact

As a part of the CRA examination, information was obtained from one contact regarding the status of affordable housing in the Palm Beach County assessment area. The contact stated that the significant rise in unemployment rates has caused many families to become displaced, triggering a greater need for affordable housing. Although prices declined steadily over the past year, home prices in the area continue to be high, making it difficult for many families to afford to buy a home. The contact also stated that numerous opportunities exist for financial institutions to participate in affordable housing programs.

The following tables show selected demographic and lending data for the Palm Beach County assessment area based on 2000 census data. Certain components of the data in the table are discussed in this evaluation as they apply to particular parts of the analysis.

**Assessment Area Demographics**  
Assessment Area: Palm Beach County

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	10	3.9	6,684	2.2	2,107	31.5	56,956	19.2
Moderate-income	67	26.3	76,708	25.8	9,147	11.9	55,158	18.6
Middle-income	88	34.5	104,508	35.2	4,659	4.5	61,458	20.7
Upper-income	89	34.9	109,168	36.7	2,726	2.5	123,496	41.6
Unknown-income	1	0.4	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>255</b>	<b>100.0</b>	<b>297,068</b>	<b>100.0</b>	<b>18,639</b>	<b>6.3</b>	<b>297,068</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	11,975	3,579	1.0	29.9	6,834	57.1	1,562	13.0
Moderate-income	151,562	84,813	24.4	56.0	45,054	29.7	21,695	14.3
Middle-income	189,546	127,079	36.5	67.0	39,840	21.0	22,627	11.9
Upper-income	189,960	132,753	38.1	69.9	22,472	11.8	34,735	18.3
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>543,043</b>	<b>348,224</b>	<b>100.0</b>	<b>64.1</b>	<b>114,200</b>	<b>21.0</b>	<b>80,619</b>	<b>14.8</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	2,475	3.7	2,094	3.5	312	5.7	69	4.5
Moderate-income	15,881	23.5	14,081	23.2	1,389	25.4	411	27.0
Middle-income	22,961	33.9	20,841	34.4	1,601	29.3	519	34.1
Upper-income	26,235	38.8	23,574	38.9	2,141	39.1	520	34.2
Unknown-income	99	0.1	67	0.1	30	0.5	2	0.1
<b>Total Assessment Area</b>	<b>67,651</b>	<b>100.0</b>	<b>60,657</b>	<b>100.0</b>	<b>5,473</b>	<b>100.0</b>	<b>1,521</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>89.7</b>		<b>8.1</b>		<b>2.2</b>

Based on 2000 Census Information.

**Loan Distribution Table**  
**Assessment Area: Palm Beach County**

Income Categories	HMDA							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
<b>Home Purchase</b>								
Low	1	4.5%	250	3.7%	1	4.5%	33	0.5%
Moderate	3	13.6%	485	7.2%	0	0.0%	0	0.0%
Middle	7	31.8%	1,821	26.9%	5	22.7%	1,095	16.2%
Upper	11	50.0%	4,201	62.2%	9	40.9%	2,802	41.5%
Unknown	0	0.0%	0	0.0%	7	31.8%	2,827	41.8%
<b>Total</b>	<b>22</b>	<b>100.0%</b>	<b>6,757</b>	<b>100.0%</b>	<b>22</b>	<b>100.0%</b>	<b>6,757</b>	<b>100.0%</b>
<b>Refinance</b>								
Low	1	2.9%	123	1.4%	0	0.0%	0	0.0%
Moderate	9	25.7%	1,199	14.0%	2	5.7%	210	2.4%
Middle	14	40.0%	3,109	36.3%	2	5.7%	346	4.0%
Upper	11	31.4%	4,141	48.3%	14	40.0%	4,329	50.5%
Unknown	0	0.0%	0	0.0%	17	48.6%	3,687	43.0%
<b>Total</b>	<b>35</b>	<b>100.0%</b>	<b>8,572</b>	<b>100.0%</b>	<b>35</b>	<b>100.0%</b>	<b>8,572</b>	<b>100.0%</b>
<b>Home Improvement</b>								
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	1	50.0%	260	45.5%	0	0.0%	0	0.0%
Middle	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Upper	1	50.0%	311	54.5%	1	50.0%	260	45.5%
Unknown	0	0.0%	0	0.0%	1	50.0%	311	54.5%
<b>Total</b>	<b>2</b>	<b>100.0%</b>	<b>571</b>	<b>100.0%</b>	<b>2</b>	<b>100.0%</b>	<b>571</b>	<b>100.0%</b>
<b>Multi-Family</b>								
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	1	50.0%	1,075	31.3%	0	0.0%	0	0.0%
Middle	1	50.0%	2,360	68.7%	0	0.0%	0	0.0%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	2	100.0%	3,435	100.0%
<b>Total</b>	<b>2</b>	<b>100.0%</b>	<b>3,435</b>	<b>100.0%</b>	<b>2</b>	<b>100.0%</b>	<b>3,435</b>	<b>100.0%</b>
<b>HMDA Totals</b>								
Low	2	3.3%	373	1.9%	1	1.6%	33	0.2%
Moderate	14	23.0%	3,019	15.6%	2	3.3%	210	1.1%
Middle	22	36.1%	7,290	37.7%	7	11.5%	1,441	7.5%
Upper	23	37.7%	8,653	44.8%	24	39.3%	7,391	38.2%
Unknown	0	0.0%	0	0.0%	27	44.3%	10,260	53.1%
<b>Total</b>	<b>61</b>	<b>100.0%</b>	<b>19,335</b>	<b>100.0%</b>	<b>61</b>	<b>100.0%</b>	<b>19,335</b>	<b>100.0%</b>
<b>COMMERCIAL</b>								
	#	%	\$(000s)		% \$			
<b>By Tract Income</b>								
Low	1	1.4%	100		0.3%			
Moderate	10	14.1%	1,503		4.0%			
Middle	26	36.6%	17,224		46.4%			
Upper	34	47.9%	18,309		49.3%			
Unknown	0	0.0%	0		0.0%			
<b>Total</b>	<b>71</b>	<b>100.0%</b>	<b>37,136</b>		<b>100.0%</b>			
<b>By Revenue</b>								
\$1 Million or Less	12	16.9%	7,086		19.1%			
Over \$1 Million	6	8.5%	920		2.5%			
Not Known	53	74.6%	29,129		78.4%			
<b>Total</b>	<b>71</b>	<b>100.0%</b>	<b>37,135</b>		<b>100.0%</b>			
<b>By Loan Size</b>								
\$100,000 or less	26	36.6%	1,799		4.8%			
\$100,001-\$250,000	18	25.4%	2,923		7.9%			
\$250,001-\$1 Million	19	26.8%	9,795		26.4%			
Over \$1 Million	8	11.3%	22,620		60.9%			
<b>Total</b>	<b>71</b>	<b>100.0%</b>	<b>37,136</b>		<b>100.0%</b>			

Originations and Purchases

### **Conclusions With Respect To Performance Tests**

For this analysis, HMDA and commercial loans originated were reviewed. The number and dollar amount of commercial loans originated during the review period in the Palm Beach County assessment area and, therefore, the bank's business focus is on commercial lending, significant.

ated between January 1, 2007 and September 30, 2008 commercial loans exceeded the number and dollar amount of the Palm Beach County assessment area and, therefore, the bank's HMDA lending activity is considered to be

#### Geographic Distribution of Loans

For this analysis, the geographic distribution of HMDA lending and commercial lending was compared with available demographic information. Performance context issues were also considered, including a combination of demographic, economic, and market variables, as well as the performance of other lenders in the assessment area.

MDA lending and commercial lending was compared with available demographic information. Performance context issues were also considered, including a combination of demographic, economic, and market variables, as well as the performance of other lenders in the assessment area.

The bank originated 61 HMDA loans in this assessment area during the review period. The percentage of HMDA lending in low-income census tracts at 3.3 percent is greater than the percentage of owner-occupied housing in these tracts at 1 percent. Although the bank had no home improvement lending in low-income tracts, the bank's home purchase lending and refinance lending at 4.5 percent and 2.9 percent also both exceeded the percentage of owner-occupied housing in these tracts at 1 percent. The bank's HMDA lending in moderate-income tracts at 23 percent is comparable to the percentage of owner-occupied housing in these tracts at 24.4 percent. The bank's refinance lending in moderate-income tracts at 25.7 percent exceeded the percentage of owner-occupied housing in moderate-income tracts. According to the 2007 aggregate comparison loan distribution table in Appendix B, the bank's HMDA lending in low-income tracts at 4.7 percent was much higher than aggregate moderate-income tracts at 16.3 percent was less than

ated between January 1, 2007 and September 30, 2008 commercial loans exceeded the number and dollar amount of the Palm Beach County assessment area and, therefore, the bank's business focus is on commercial lending, significant.

Of the 71 commercial loans originated in the bank's assessment area, 1.4 percent were extended to businesses in low-income census tracts, which is less than the percentage of businesses located in these tracts at 3.7 percent. The bank made 14.1 percent of its commercial loans in moderate-income tracts, which is also less than the percentage of businesses located in these tracts at 23.5 percent. However, a large portion of the bank's loan portfolio consists of construction and development loans, many of which were extended to development companies to build homes. Management stated that construction fell significantly as did demand for construction loans.

ated between January 1, 2007 and September 30, 2008 commercial loans exceeded the number and dollar amount of the Palm Beach County assessment area and, therefore, the bank's business focus is on commercial lending, significant.

Based on demographic factors and other performance context considerations, Sterling Bank's performance regarding the geographic distribution of HMDA lending and commercial lending reflects reasonable dispersion throughout the assessment area.

ated between January 1, 2007 and September 30, 2008 commercial loans exceeded the number and dollar amount of the Palm Beach County assessment area and, therefore, the bank's business focus is on commercial lending, significant.

#### Lending to Individuals of Different Income Levels and Businesses of Different Sizes

For this analysis, the distribution of HMDA lending across borrower income levels and commercial lending across business revenue sizes was compared with available demographic information. Of the 61 HMDA loans originated in the bank's assessment area, one loan (1.6 percent) was made to low-income borrower while two loans (3.3 percent) were made to moderate-income borrowers. The percentage of loans made to low- and moderate-income borrowers is significantly less than the percentage of low- and moderate-income families in the assessment area at 19.2 percent and 18.6 percent, respectively. A review of the distribution by HMDA loan type was not meaningful. According to the 2007 aggregate comparison loan distribution table located in Appendix B, the aggregate outperformed the bank in HMDA lending to low-income and moderate-income

ated between January 1, 2007 and September 30, 2008 commercial loans exceeded the number and dollar amount of the Palm Beach County assessment area and, therefore, the bank's business focus is on commercial lending, significant.

borrowers. The bank did not originate any HMDA loans to low- and moderate-income borrowers during 2007, while the aggregate was at 2.6 percent, and the bank's lending to moderate-income borrowers at 4.7 percent was significantly less than the aggregate at 10.3 percent. Although the housing affordability issues detailed in the "Description of Assessment Area" section of this report may have affected the bank's HMDA lending to low- and moderate-income borrowers somewhat, competition from major mortgage lenders combined with the bank's strategy to focus on commercial lending seem to be the primary reasons since the aggregate outperformed the bank. It is important to note that the bank competes with large national mortgage companies and multi-regional banks that can offer lower rates and more flexible lending criteria to potential low- and moderate-income borrowers. HMDA lending is done primarily as an accommodation.

The bank originated 71 commercial loans in this assessment area during the review period, however, the business revenue was known for only 18 of those borrowers. This is because these loans were primarily made to limited liability shell corporations or partnerships established for the purpose of purchasing land and constructing single-family homes, townhouses, condominiums, and hotels. Of the loans originated with known revenues, 12 loans (66.6 percent) were made to businesses with revenues of \$1 million or less. This is less than the percentage of small businesses in the assessment area at 89.7 percent. It should be noted, however, that 62 percent of the bank's commercial loans were in an amount of \$250,000 or less, indicating a willingness to make small loans to businesses.

Based on the bank's commercial real estate focus, a diverse economic factors, in particular the commercial real estate market, competition, and housing affordability problems, Sterling Bank's lending performance reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

### Community Development Test

Sterling Bank's community development performance demonstrates adequate responsiveness to the community development needs of the assessment area through community development loans, qualified investments and contributions, and community development services, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area. Opportunities exist in the assessment area to participate in community development activities; however, many financial institutions, including several multi-billion dollar banks, are competing for these CRA-qualified loans, investments, and services.

Sterling Bank originated four community development loans totaling \$3,684,500 in the assessment area to finance 51 affordable housing units. One of the loans provided financing to construct an affordable home on a tract of land owned by the Delray Beach Community Land and Trust (DBCLT). The DBCLT sells or rents homes to qualified low- and moderate-income families at an affordable price, but retains ownership of the land. Another loan provided financing to construct an apartment complex located in a moderate-income tract, which will contain 15 apartment units and provide affordable housing for moderate-income families. Finally, two of the loans provided refinancing for a 30-unit apartment complex and a 5-unit apartment complex that both provide affordable housing for low- and moderate-income families.

Qualified investments and donations for the review period totaled \$385,103, which include a qualified investment totaling \$382,000, and donations totaling \$3,103. As mentioned previously, the investment consists of a loan pool that includes loans that were originated to low- and moderate-income borrowers. Two of the loans in the pool are located in Palm Beach County and were originated in the amounts of \$209,000 and \$173,000. The donations supported community services that targeted low- and moderate-income families or individuals.

The following table depicts the bank's qualified donations for the review period.

<b>STERLING BANK COMMUNITY DEVELOPMENT DONATIONS PALM BEACH COUNTY</b>	
<b>NAME</b>	<b>AMOUNT</b>
Crossroads Job Readiness Seminar	\$50
Gary Foundation Kids Carnival (Provided to students and disadvantaged children)	\$3,000
Wellington Rotary (Donation to Boys and Girls Club Annual Fundraiser)	\$53
<b>Total</b>	<b>\$3,103</b>

Bank employees have used their financial expertise to provide services that benefit low- and moderate-income residents and small businesses in the assessment area. One bank employee serves as chairman of the Economic Development Forum and treasurer of the Greater Lantana Chamber of Commerce. The Greater Lantana Chamber of Commerce strives to improve business, government, economic, and environmental issues in the community and surrounding areas. In addition, another bank employee assisted the Daily Bread Food Bank, which provides food and other grocery products to help needy, and aims to educate and engage the community to fight hunger and poverty in this assessment area.

Delivery systems, including ATMs and branch locations are considered reasonably accessible to most of the Palm Beach County assessment area. Three of the four branch offices in the assessment area are located in moderate-income tracts. One of the branch offices is located in an upper-income tract; however, the branch borders on a moderate-income tract. All of the branches offer convenient weekday hours to serve the needs of the community.

**Description of Institution's Operations in Broward County, Florida**

Sterling Bank's performance in the Broward County assessment area was reviewed using full-scope examination procedures. 11.6 percent of the HMDA loans and 33.6 percent of the commercial loans were originated in the Broward County assessment area during the review period. Sterling Bank operates two banking offices and two ATMs in the Broward County assessment area. Both of the branches are located in middle-income census tracts. According to the FDIC Market Share Report, as of June 30, 2008, the bank had deposits of \$37.3 million in the assessment area, representing 11.6 percent of the bank's total deposits.

Demographic Data by Census Tracts

2000 census demographic data was used to define the bank's assessment area for loans originated during the review period. The assessment area includes 278 census tracts, including 12 low-income tracts, 72 moderate-income tracts, 117 middle-income tracts, and 77 upper-income tracts.

Population Information

According to the 2000 census, the population of Broward County was 1,623,018 persons, which represented approximately 10.2 percent of the state of Florida's total population of 15,982,378 persons. The population of Broward County increased by 136,573 persons, or 8.4 percent, between the 2000 census and July 1, 2007 estimates.

Housing Characteristics

According to the 2000 census, there were 737,697 housing units in the assessment area, 61.3 percent of which were owner-occupied. In addition, the median household value in the assessment area was \$102,327, which is 9.8



percent higher than the median housing value for the state at \$93,200. The median age of housing in the assessment area is 24 years, which is higher than the state of Florida at 20 years.

Income Characteristics

According to the 2000 census, there were 411,842 families in the assessment area. Of the total families in the assessment area, 21 percent were low-income, 18.3 percent were moderate-income, 20.6 percent were middle-income, and 40.3 percent were upper-income.

HUD Estimated Median Family Incomes for 2007 and 2008

The HUD-estimated median family incomes for the Fort Lauderdale-Pompano Beach-Deerfield Beach, FL MSA, which includes the bank's Broward County assessment area, were \$58,400 in 2007 and \$64,000 in 2008. Based on the HUD estimated median family income for 2007, low-income families were those families with gross annual incomes of \$29,200 or less. Moderate-income families were families with gross annual incomes ranging from \$29,201 to \$46,720. Based on the HUD estimate for 2008, low-income families were those families with gross annual incomes of \$29,200 or less. Moderate-income families were families with gross annual incomes ranging from \$32,001 to \$51,200.

Employment Statistics

According to the 2006 REIS, total employment in Broward County was 1,035,268 jobs. The top four industries include retail trade, government and government enterprises, health care and social assistance, and administrative and waste services. According to the Broward Alliance, the major employers in the assessment area include the Broward County School Board, Broward County government, Tenet Healthcare Corporation, Memorial Healthcare System, North Broward Hospital District, and American Express.

The following table provides the unemployment rates for the Broward County assessment area, the Miami-Fort Lauderdale-Pompano Beach, FL MSA, and the state of Florida. The unemployment rate in this assessment area was slightly lower than that of the Miami-Fort Lauderdale-Pompano Beach, FL MSA, and the state of Florida in 2006 and 2007. For 2008, the unemployment rates for all three regions steadily increased from January to September; however, the rates in August and September were the highest rates all year.

<b>UNEMPLOYMENT RATES (Not Seasonally Adjusted)</b>			
<b>Region</b>	<b>2006 (annualized)</b>	<b>2007 (annualized)</b>	<b>September 2008</b>
Broward County	3.2	3.6	6.1
Miami-Fort Lauderdale-Pompano Beach, FL MSA	3.6	3.8	6.4
State of Florida	3.4	4.0	6.9

Business Size Characteristics

The table on page 17 provides key demographic business data by census tract income level in the Broward County assessment area. The table indicates that, according to the 2000 census, 89.1 percent of the businesses in the assessment area had gross annual revenues of \$1 million or less. For purposes of this report, businesses with \$1 million or less in gross annual revenue are considered small businesses.

Competition

The bank operates in a highly competitive market. According to the FDIC Market Share Report as of June 30, 2008, there are 67 financial institutions operating 474 branches inside the assessment area. Sterling Bank ranked 48<sup>th</sup> in deposit market share among the competing financial institutions in the assessment area with \$37.3 million in deposits. This represented approximately 0.11 percent of the deposit market share in the assessment area. The number of locations operated by a single financial institution in the assessment area ranged from 1 to 79 locations. Credit products and deposit services are highly competitive with large regional and national banks leading the competition. According to the 2007 HMDA Market Peer Report, the bank ranked 163<sup>rd</sup> out of 767 reporters with a total of six HMDA loans originated. The top reporters of HMDA loans in the assessment area are Countrywide Home Loans, JPMorgan Chase Bank, Bank of America, Countrywide Bank, and Washington Mutual Bank. These top five reporters account for 36 percent of the total loans originated, which may help explain the competitive impact of large regional and national banks on Sterling Bank's ability to originate HMDA loans in this assessment area.

Community Contact

As a part of the CRA examination, information was obtained from the one contact regarding the impact that current economic conditions are having on the credit needs of small businesses in the Broward County assessment area. The contact stated that new businesses have a difficult time identifying start-up funding because financial institutions consider loans ranging from \$10,000 to \$50,000 to be too small and essentially not worth the risk. The contact also stated that, in the past several years, his organization has experienced a decline in the number of calls from financial institutions that want to participate in programs to help small businesses. The contact stressed that financial institutions overall are not meeting the needs of small businesses, particularly in the current economic market.

The following tables show selected demographic and lending data for the Broward County assessment area based on 2000 census data. Certain components of the data in the table are discussed in this evaluation as they apply to particular parts of the analysis.

**Assessment Area Demographics**  
 Assessment Area: Broward County

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	12	4.3	11,716	2.8	4,150	35.4	86,296	21.0
Moderate-income	72	25.9	104,298	25.3	15,986	15.3	75,160	18.2
Middle-income	117	42.1	179,424	43.6	11,991	6.7	84,632	20.5
Upper-income	77	27.7	116,404	28.3	3,782	3.2	165,754	40.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>278</b>	<b>100.0</b>	<b>411,842</b>	<b>100.0</b>	<b>35,909</b>	<b>8.7</b>	<b>411,842</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	19,960	4,649	1.0	23.3	13,036	65.3	2,275	11.4
Moderate-income	203,409	108,262	23.9	53.2	69,934	34.4	25,213	12.4
Middle-income	333,388	208,788	46.2	62.6	86,096	25.8	38,504	11.5
Upper-income	180,940	130,701	28.9	72.2	30,673	17.0	19,566	10.8
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>737,697</b>	<b>452,400</b>	<b>100.0</b>	<b>61.3</b>	<b>199,739</b>	<b>27.1</b>	<b>85,558</b>	<b>11.6</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	4,032	4.6	3,438	4.4	480	6.3	114	6.0
Moderate-income	21,652	24.6	19,000	24.2	2,232	29.2	420	22.1
Middle-income	37,807	43.0	33,750	43.1	3,212	42.0	845	44.5
Upper-income	24,408	27.8	22,163	28.3	1,724	22.5	521	27.4
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>87,899</b>	<b>100.0</b>	<b>78,351</b>	<b>100.0</b>	<b>7,648</b>	<b>100.0</b>	<b>1,900</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>89.1</b>		<b>8.7</b>		<b>2.2</b>

Based on 2000 Census Information.

**Loan Distribution Table**

Assessment Area: Broward County

Income Categories	HMDA							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
<b>Home Purchase</b>								
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Upper	3	100.0%	6,393	100.0%	1	33.3%	1,890	29.6%
Unknown	0	0.0%	0	0.0%	2	66.7%	4,503	70.4%
<b>Total</b>	<b>3</b>	<b>100.0%</b>	<b>6,393</b>	<b>100.0%</b>	<b>3</b>	<b>100.0%</b>	<b>6,393</b>	<b>100.0%</b>
<b>Refinance</b>								
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	1	25.0%	115	13.9%	1	25.0%	125	15.1%
Middle	1	25.0%	125	15.1%	1	25.0%	99	12.0%
Upper	2	50.0%	587	71.0%	1	25.0%	488	59.0%
Unknown	0	0.0%	0	0.0%	1	25.0%	115	13.9%
<b>Total</b>	<b>4</b>	<b>100.0%</b>	<b>827</b>	<b>100.0%</b>	<b>4</b>	<b>100.0%</b>	<b>827</b>	<b>100.0%</b>
<b>Home Improvement</b>								
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Upper	1	100.0%	895	100.0%	1	100.0%	895	100.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>1</b>	<b>100.0%</b>	<b>895</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>895</b>	<b>100.0%</b>
<b>Multi-Family</b>								
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>HMDA Totals</b>								
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	1	12.5%	115	1.4%	1	12.5%	125	1.5%
Middle	1	12.5%	125	1.5%	1	12.5%	99	1.2%
Upper	6	75.0%	7,875	97.0%	3	37.5%	3,273	40.3%
Unknown	0	0.0%	0	0.0%	3	37.5%	4,618	56.9%
<b>Total</b>	<b>8</b>	<b>100.0%</b>	<b>8,115</b>	<b>100.0%</b>	<b>8</b>	<b>100.0%</b>	<b>8,115</b>	<b>100.0%</b>
<b>COMMERCIAL</b>								
	#	%		\$(000s)	%			
<b>By Tract Income</b>								
Low	8	22.2%		2,594	7.2%			
Moderate	11	30.6%		8,461	23.6%			
Middle	11	30.6%		12,386	34.5%			
Upper	6	16.7%		12,463	34.7%			
Unknown	0	0.0%		0	0.0%			
<b>Total</b>	<b>36</b>	<b>100.0%</b>		<b>35,904</b>	<b>100.0%</b>			
<b>By Revenue</b>								
\$1 Million or Less	16	44.4%		22,627	63.0%			
Over \$1 Million	7	19.4%		5,079	14.1%			
Not Known	13	36.1%		8,196	22.8%			
<b>Total</b>	<b>36</b>	<b>100.0%</b>		<b>35,902</b>	<b>100.0%</b>			
<b>By Loan Size</b>								
\$100,000 or less	8	22.2%		416	1.2%			
\$100,001-\$250,000	5	13.9%		1,167	3.2%			
\$250,001-\$1 Million	11	30.6%		7,202	20.1%			
Over \$1 Million	12	33.3%		27,119	75.5%			
<b>Total</b>	<b>36</b>	<b>100.0%</b>		<b>35,904</b>	<b>100.0%</b>			

Originations and Purchases

### **Conclusions With Respect to Performance Tests**

For this analysis, HMDA and commercial loans originated between January 1, 2007 and September 30, 2008 were reviewed. Sterling Bank's dollar amount of commercial loans exceeded that of HMDA loans originated during the review period in the Broward County assessment area and, therefore, were given more weight in determining the bank's lending test performance.

#### Geographic Distribution of Loans

For this analysis, the geographic distribution of HMDA lending and commercial lending was compared with available demographic information. Performance context issues were also considered, including a combination of demographic, economic, and market variables, as well as the performance of other lenders in the assessment area.

The bank originated eight HMDA loans in the assessment area during the review period. The bank did not originate any HMDA loans in low-income census tracts. The percentage of owner-occupied housing in these tracts is 1 percent. The bank's HMDA lending in moderate-income tracts at 12.5 percent is considerably less than the percentage of owner-occupied housing in these tracts at 23.9 percent. An analysis of HMDA lending by product type was not meaningful. According to the 2007 aggregate comparison loan distribution table located in Appendix B, the bank made no loans in low-income tracts while the aggregate performance was at 2.3 percent. In addition, the bank did not originate any HMDA loans in moderate-income tracts. The aggregate performance in moderate-income tracts was 23.9 percent. Several factors may explain why HMDA lending in low-and moderate-income census tracts was so low.

First, the bank only has two branches in Broward County, both located in middle-income tracts. One of the branches opened in April 2008, which means that the bank had even less presence in 2007 and the beginning of 2008 with only one branch office. As stated before, the bank's primary focus is on commercial lending products and services, which may also adversely affect the penetration of loans in areas where branch offices are not present.

Of the 36 commercial loans originated in the bank's assessment area, 22.2 percent were extended to businesses located in low-income census tracts, which is considerably higher than the percentage of businesses located in these tracts at 4.6 percent. The bank made 30.6 percent of its commercial loans in moderate-income tracts, which is also higher than the percentage of businesses located in these tracts at 24.6 percent.

Based on demographic factors and other performance context considerations, Sterling Bank's performance regarding the geographic distribution of HMDA lending and commercial lending reflects reasonable dispersion throughout the assessment area.

#### Lending to Individuals of Different Income Levels and Businesses of Different Sizes

For this analysis, the distribution of HMDA lending across borrower income levels and commercial lending across business revenue sizes was compared with available demographic information. Of the eight HMDA related loans originated in the bank's assessment area, none were made to low-income borrowers, and one loan (12.5 percent) was made to a moderate-income borrower. The percentage of loans made to low-and moderate-income borrowers is significantly less than the percentage of low- and moderate-income families in the assessment area at 21 percent and 18.2 percent, respectively. According to the 2007 aggregate comparison loan distribution table located in Appendix B, aggregate lending was 2.1 percent to low-income borrowers. The bank's lending to the moderate-income borrower at 12.5 percent outperformed the aggregate at 9.1 percent.

The bank originated 36 commercial loans in this assessment area during the review period, however revenue was reported for only 23 of those borrowers. This is because these loans were often made to limited liability shell corporations or partnerships established for the purpose of purchasing land and constructing single-family homes, townhouses, condominiums, and hotels. Of the loans originated with known revenues, 16 loans (69.5 percent) were made to businesses with revenues of \$1 million or less. This is less than the percentage of businesses in the assessment area with gross annual revenues of \$1 million or less at 89.1 percent. It should be noted that 36.1 percent of the bank's commercial loans were in amounts of \$250,000 or less, indicating a willingness to make small loans to businesses.

Based on the bank's commercial real estate lending focus, adverse economic factors, in particular the commercial real estate market, and competition, Sterling Bank's lending performance reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

### Community Development Test

Sterling Bank's community development performance demonstrates adequate responsiveness to the community development needs of the assessment area. This is achieved through community development loans, qualified investments and contributions, and community development services, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area. Opportunities exist in the assessment area to participate in community development activities; however, many financial institutions, including several multi-billion dollar banks, are competing for these CRA-qualified loans, investments, and services.

The bank did not make any community development loans in the Broward County assessment area during the review period. Qualified investments and donations for the review period totaled \$321,350, which includes a qualified investment totaling \$321,000, and one donation totaling \$350. As mentioned previously, the investment is part of a loan pool, which includes loans originated to low- or moderate-income borrowers. Three loans in the pool are located in Broward County and were originated in the amounts of \$69,000, \$123,000, and \$129,000. The \$350 donation was made to the Riverwalk Fort Lauderdale Trust to help support the economic development of the downtown Fort Lauderdale area.

One bank employee provides financial and technical expertise to the Riverwalk Fort Lauderdale Trust by serving as a member of its board's Executive Committee. The Riverwalk Fort Lauderdale Trust consists of volunteers from all levels of the business and professional community, who help to raise funds specifically designated for ongoing Riverwalk promotions and improvements and for the economic enhancement of the Riverwalk Park and the surrounding area.

The bank has two branch offices in the Broward County assessment area, both located in middle-income tracts; however, one office borders a low-income tract and two moderate-income tracts, and the second office borders two moderate-income tracts. Both of the branches offer convenient weekday hours to serve the needs of the community.

**APPENDIX A**

<b>SCOPE OF EXAMINATION</b>			
<b>TIME PERIOD REVIEWED</b>			
January 1, 2007 through September 30, 2008 – HMDAL		loans and Commercial Loans	
January 1, 2007 – December 31, 2008 – Community Dev		elopment Loans, Investments, and Services	
<b>FINANCIAL INSTITUTION</b> Sterling Bank, Lantana, Florida		<b>PRODUCTS REVIEWED</b> HMDALoans, CommercialLoans, CommunityDevelopmentLoans, Investments, andServices	
<b>AFFILIATE(S)</b> Sterling Bancgroup, Inc.	<b>AFFILIATE RELATIONSHIP</b> Holding Company	<b>PRODUCTS REVIEWED</b> None	
<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
Palm Beach County	Full-Scope Exam Procedures	Palm Springs Branch	None
Broward County	Full-Scope Exam Procedures		None

**APPENDIX B – AGGREGATE LENDING TABLES**

**2007 Aggregate Comparison Loan Distribution Table**

Assessment Area: Palm Beach County

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	#	Bank %	%\$(000s)	Aggregate %	%\$(000s)	#	Bank %	%\$(000s)	Aggregate %	%\$(000s)
	<b>Home Purchase</b>									
Low	1	6.3%	4.3%	2.5%	1.8%	0	0.0%	0.0%	1.4%	0.5%
Moderate	2	12.5%	6.6%	24.1%	16.3%	0	0.0%	0.0%	7.7%	3.9%
Middle	5	31.3%	29.5%	34.9%	28.3%	4	25.0%	15.6%	15.8%	9.9%
Upper	8	50.0%	59.5%	38.6%	53.6%	6	37.5%	37.0%	57.0%	68.7%
Unknown	0	0.0%	0.0%	0.0%	0.0%	6	37.5%	47.4%	18.0%	17.0%
<b>Total</b>	<b>16</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>16</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>Refinance</b>									
Low	1	4.0%	1.7%	2.0%	1.4%	0	0.0%	0.0%	3.4%	1.5%
Moderate	5	20.0%	12.2%	25.9%	18.2%	2	8.0%	2.9%	12.1%	6.7%
Middle	10	40.0%	36.2%	35.0%	30.3%	1	4.0%	2.5%	19.5%	13.9%
Upper	9	36.0%	49.9%	37.1%	50.0%	12	48.0%	52.5%	48.4%	60.1%
Unknown	0	0.0%	0.0%	0.0%	0.0%	10	40.0%	42.0%	16.6%	17.8%
<b>Total</b>	<b>25</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>25</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>Home Improvement</b>									
Low	0	0.0%	0.0%	2.1%	1.5%	0	0.0%	0.0%	4.9%	2.2%
Moderate	0	0.0%	0.0%	25.6%	18.9%	0	0.0%	0.0%	13.6%	8.4%
Middle	0	0.0%	0.0%	35.9%	30.6%	0	0.0%	0.0%	23.5%	16.5%
Upper	1	100.0%	100.0%	36.3%	49.1%	0	0.0%	0.0%	53.4%	65.6%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	100.0%	100.0%	4.6%	7.2%
<b>Total</b>	<b>1</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>Multi-Family</b>									
Low	0	0.0%	0.0%	13.8%	7.9%	0	0.0%	0.0%	0.0%	0.0%
Moderate	0	0.0%	0.0%	44.0%	23.9%	0	0.0%	0.0%	0.0%	0.0%
Middle	1	100.0%	100.0%	28.4%	21.1%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	13.8%	47.1%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	100.0%	100.0%	100.0%	100.0%
<b>Total</b>	<b>1</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>HMDA Totals</b>									
Low	2	4.7%	2.4%	2.2%	1.7%	0	0.0%	0.0%	2.6%	1.1%
Moderate	7	16.3%	8.1%	25.1%	17.5%	2	4.7%	1.3%	10.3%	5.3%
Middle	16	37.2%	42.6%	35.0%	29.2%	5	11.6%	6.9%	18.1%	11.8%
Upper	18	41.9%	47.0%	37.7%	51.6%	18	41.9%	37.8%	52.3%	63.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	18	41.9%	53.9%	16.8%	18.7%
<b>Total</b>	<b>43</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>43</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Originations and Purchases



**APPENDIX B – AGGREGATE LENDING TABLES (Continued)**

**2007 Aggregate Comparison Loan Distribution Table**

Assessment Area: Broward County

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	#	Bank %	Aggregate %	Bank %	Aggregate %	#	Bank %	Aggregate %	Bank %	Aggregate %
	<b>Home Purchase</b>									
Low	0	0.0%	0.0%	2.6%	2.4%	0	0.0%	0.0%	1.3%	0.5%
Moderate	0	0.0%	0.0%	23.4%	15.8%	0	0.0%	0.0%	7.3%	4.0%
Middle	0	0.0%	0.0%	44.7%	41.1%	0	0.0%	0.0%	17.2%	11.7%
Upper	3	100.0%	100.0%	29.3%	40.7%	1	33.3%	29.6%	56.1%	66.4%
Unknown	0	0.0%	0.0%	0.0%	0.0%	2	66.7%	70.4%	18.1%	17.4%
<b>Total</b>	<b>3</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>3</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>Refinance</b>									
Low	0	0.0%	0.0%	2.0%	1.8%	0	0.0%	0.0%	2.5%	1.1%
Moderate	0	0.0%	0.0%	24.2%	17.5%	0	0.0%	0.0%	10.3%	6.1%
Middle	0	0.0%	0.0%	45.5%	41.3%	1	50.0%	16.9%	20.9%	16.1%
Upper	2	100.0%	100.0%	28.3%	39.4%	1	50.0%	83.1%	49.5%	59.4%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	16.8%	17.3%
<b>Total</b>	<b>2</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>2</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>Home Improvement</b>									
Low	0	0.0%	0.0%	2.2%	1.8%	0	0.0%	0.0%	3.5%	1.8%
Moderate	0	0.0%	0.0%	24.9%	20.4%	0	0.0%	0.0%	12.2%	7.8%
Middle	0	0.0%	0.0%	44.7%	42.2%	0	0.0%	0.0%	24.6%	20.6%
Upper	1	100.0%	100.0%	28.2%	35.6%	1	100.0%	100.0%	54.2%	61.6%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	5.6%	8.3%
<b>Total</b>	<b>1</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>Multi-Family</b>									
Low	0	0.0%	0.0%	7.7%	2.5%	0	0.0%	0.0%	0.0%	0.0%
Moderate	0	0.0%	0.0%	39.4%	25.3%	0	0.0%	0.0%	0.0%	0.0%
Middle	0	0.0%	0.0%	38.3%	47.8%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	14.6%	24.4%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	100.0%	100.0%
<b>Total</b>	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>HMDA Totals</b>									
Low	0	0.0%	0.0%	2.3%	2.1%	0	0.0%	0.0%	2.1%	0.8%
Moderate	0	0.0%	0.0%	23.9%	17.0%	0	0.0%	0.0%	9.1%	5.0%
Middle	0	0.0%	0.0%	45.1%	41.4%	1	16.7%	1.3%	19.5%	13.9%
Upper	6	100.0%	100.0%	28.7%	39.5%	3	50.0%	41.6%	52.3%	61.1%
Unknown	0	0.0%	0.0%	0.0%	0.0%	2	33.3%	57.2%	17.0%	19.1%
<b>Total</b>	<b>6</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>6</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Originations and Purchases

**APPENDIX C-GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of SterlingBank prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of January 12, 2009. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

**ABBREVIATIONS**

ATMs-	Automated Teller Machines
CRA-	Community Reinvestment Act
FDIC-	Federal Deposit Insurance Corporation
FHA-	Federal Housing Administration
HMDA-	Home Mortgage Disclosure Act
HUD-	Department of Housing and Urban Development
LTD-	Loan-to-Deposit Ratio
LTV-	Loan-to-Value Ratio
MD-	Metropolitan Division
MSA-	Metropolitan Statistical Area
OMB-	Office of Management and Budget
REIS-	Regional Economic Information Systems
SBA-	Small Business Administration
USDA-	United States Department of Agriculture

**ROUNDING CONVENTION**

Because percentages presented in tables were rounded to the nearest whole number in most cases, some columns may not total exactly 100 percent.

## **APPENDIX D-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.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**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 the income of applicants, the amount of loan requested, and the disposition of the application (for example, 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 refinancing of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

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

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An 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.

**APPENDIX D – GLOSSARY (Continued)**

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

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

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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.

**Small loan(s) to farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are reclassified as loans to finance agricultural production and other loans to farmers.

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