



**NEW YORK STATE BANKING DEPARTMENT  
CONSUMER SERVICES DIVISION**

One State Street Plaza  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2001

**Institution:** Alden State Bank  
13216 Broadway  
Alden, NY, 14004

**Note:** This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Banking Department concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Alden State Bank (“ASB”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2001.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low and moderate income areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

## OVERVIEW OF INSTITUTION'S PERFORMANCE

Alden State Bank is rated "2", indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following factors:

- *Loan-to-Deposit Ratio:* ASB's average loan to deposit ratio of 67.8% was below its national peer group's average of 74.01%, but is considered reasonable due to the bank's size, financial condition and the credit needs of its assessment area.
- *Assessment Area Concentration:* The bank's assessment area concentration is reasonable, with a majority of loans originated within the assessment area. Approximately 78.5% of sampled consumer loans and 71.5% of sampled small business loans were made in the assessment area. The bank originated 67.7% of its total HMDA reportable loans in the assessment area.
- *Geographic Distribution of Loans:* The bank's geographic distribution of Home Mortgage Disclosure Act ("HMDA")-reportable lending is reasonable, with the predominance of loans extended in middle-income census tracts. ASB's assessment area does not contain any low-to-moderate-income ("LMI") census tracts. For the year 2000, the bank originated 86% of its HMDA loans in middle-income census tracts within the assessment area, well above the 50.7% middle-income census tract penetration achieved by the aggregate. During 2001, middle-income census tract penetration declined to 79.4%, but remained strong against the aggregate's 48.3% penetration. A geographic distribution analysis of small business and consumer loans was not performed.
- *Borrower's Profile:* Overall, the bank's lending distribution based on borrowers' characteristics reflects excellent penetration among individuals of different income levels and businesses of different sizes in the assessment area.
  - ASB extended approximately 50% in 2000 and 47.6% in 2001 of its HMDA-reportable loans to LMI borrowers. These figures are well above the corresponding aggregate's percentages of 23.3% and 19.3%, respectively.
  - ASB extended approximately 72.4% in 2000 and 93.1% in 2001 of sampled small business loans to firms with gross annual revenues of less than \$1.0 million. From the same sample, approximately 85.7% in 2000 and 79.3% in 2001 of ASB's small business loans were made in origination amounts of less than or equal to \$100 thousand.
  - ASB extended approximately 45.0% in 2000 and 50.9% in 2001 of its consumer loans to LMI borrowers.

- Neither ASB nor the New York State Banking Department has received any complaints with respect to the bank's Community Reinvestment Act performance.

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

## PERFORMANCE CONTEXT

### **Institution's Profile:**

Alden State Bank, chartered in 1916, is a commercial bank with its main office in Alden, Erie County, New York. The bank opened a full service branch in 1995 in the town of Lancaster, in Erie County. The head office and branch are equipped with automatic teller machines (ATMs) that are accessible 24 hours daily, seven days a week. The bank is not a part of a holding company and is not affiliated with any other institution.

The bank is a retail oriented institution that provides a wide range of banking services for consumers and small businesses. Consumer and commercial lending products include fixed rate residential mortgages, mobile home loans, home improvement and equity loans, consumer construction loans and consumer time and demand loans. In addition, the bank extends commercial mortgages, construction loans, small business loans and agricultural loans.

ASB's primary business is the origination of 1-4 family residential mortgages. The bank's home mortgages are fixed rate loans with terms of 15 years or less. In an effort to help borrowers who cannot afford the monthly payments on these mortgages, the bank allows lower monthly payments associated with longer-term loans, with a balloon payment at maturity. One of the bank's products is a one-year construction loan for individuals to build their own homes. Management stated that very few institutions in the area offer this product. In addition, the bank's loan policy does not impose minimum loan amounts and it regularly makes unsecured, short-term loans in small amounts.

The amounts shown below were taken from Schedule RC-C of the bank's December 31, 2001 and 2000 Consolidated Reports of Condition and Income.

<b>TOTAL GROSS LOANS OUTSTANDING</b>				
LOAN TYPE	12/31/2001		12/31/2000	
	\$' 000	%	\$' 000	%
Residential Mortgage Loans	59,087	63.3	63,004	64.3
Commercial Mortgage Loans	11,868	12.7	11,877	12.1
Construction Loans	7,301	7.8	8,719	8.9
Commercial Loans	8,175	8.8	8,184	8.3
Consumer Loans	5,772	6.2	5,678	5.8
Agricultural Loans	467	0.5	487	0.5
Other Loans	644	0.7	105	0.1
<b>Total Gross Loans</b>	<b>\$93,314</b>	<b>100.0</b>	<b>\$98,054</b>	<b>100.0</b>

On December 31, 2001, 1 to 4 family home mortgages accounted for \$59.0 million (63.3%) of total loans. Commercial mortgage loans totaled \$11.8 million (12.7%),

consumer loans totaled \$5.8 million (6.2%) and commercial and Industrial loans \$8.2 million (8.8%). Construction loans including consumer construction loans totaled \$7.3 million, (7.8%). The composition of the portfolio was relatively unchanged between the two years.

For the year 2001, the bank received 92 HMDA-reportable loan applications, of which 82 totaling \$3.7 million were originated. During 2000, 92 applications were received and 85 totaling \$ 4.5 million were originated.

The bank reported that in 2000, it originated 83 small business loans totaling \$2.9 million, and in 2001, it originated 108 small business loans totaling \$4.7 million. In 2000, the bank extended 745 consumer loans totaling \$7.5 million and in 2001, it extended 1,599 consumers loans totaling \$17.5 million. Additionally, in 2000 the bank made 21 consumer construction loans totaling \$1.5 million and in 2001, it made 66 consumer construction loans totaling \$8.8 million.

The bank is a participating lender in the Small Business Administration (SBA)- guaranteed loan program. The bank originated five SBA loans totaling \$314 thousand during the evaluation period.

The bank's December 31, 2001 Consolidated Reports of Condition and Income showed total assets of \$178.1 million, including investments of \$64.6 million (36.3%) and loans of \$92.7 million (52.0%). Liabilities totaled \$153.7 million, including deposits of \$153.4 million. Equity totaled \$24.4 million. The bank reported net income of \$2.5 million for the year ending December 31, 2001.

ASB was awarded a rating of "1" at its last Performance Evaluation by the New York State Banking Department on March 31, 1999, reflecting an outstanding record of helping to meet community credit needs.

*There are no known financial or legal impediments that adversely impact the bank's ability to meet the credit needs of its community.*

#### **Assessment Area:**

The bank's assessment area is comprised of parts of Erie, Geneses and Wyoming Counties. The area includes the towns and villages of Adlen and Lancaster, the township of Marilla and the eastern half of the township of Elma in Erie County, the townships of Darien and Alexander in Genesee County and the township of Bennington in Wyoming County. Erie County is part of MSA 1280 (Buffalo/Niagara Falls), Genesee is part of MSA 6840 (Rochester) and Wyoming is a non-MSA county.

There are 14 census tracts in the area, of which 10 are middle-income and four (4) are upper-income tracts. There are no low, moderate or no income tracts in the assessment

area. Twelve of the tracts are in Erie County and one tract each is in Genesee and Wyoming Counties.

According to the 1990 U.S. census data, the population of the assessment area was 62.0 thousand. About 12.5% (7.7 thousand)<sup>1</sup> of the population was over 65 years of age and 21.7% (13.4 thousand) were under 16. Almost 67.6% (41.9 thousand), of the population resided in middle-income tracts and 32.4% (20.1 thousand) resided in the upper income tracts.

There were 16.8 thousand families in the area of which 11.7% (2.0 thousand) were low-income, 17.0% (2.6 thousand) moderate, 26.3% (4.4 thousand) middle and 45.0% (7.6 thousand) upper income families. There were 21.9 thousand households in the area of which 6.6% (1.4 thousand) had incomes below the poverty level.

The 1990 weighted average of median family income of assessment area was \$39.7 thousand and the weighted average MSA/non-MSA census median family income was \$34.9 thousand. The 2001 HUD estimated median family income for the MSA/non-MSA was \$48.2 thousand.

There were 22.6 thousand housing units in the area; of which 91.1% (20.6 thousand) were 1-4 family units, 5.2% (1.2 thousand) were multi-family units, and 2.7% (0.6 thousand) were mobile homes and/or trailers. Owner occupied housing units accounted for 76.9% (17.4 thousand) and 18.7% (4.2 thousand) were rental occupied. There were 1.0 thousand (4.3%) vacant units. In 1990, the median age of the housing units was 31 years and the median value was \$80.0 thousand.

The assessment area appears reasonable based upon the location of bank's offices and its lending patterns. There is no evidence that LMI tracts are arbitrarily excluded

### **Details of Assessment Area:**

Erie County: There are 12 census tracts in the Erie County portion of the assessment area, of which nine are middle-income tracts and three are upper income tracts. There are no LMI tracts or no income tracts.

According to 1990 U.S. Census, the Erie County portion of the assessment area had a population of 53.7 thousand, which was 86.6% of the assessment area's total population. About 12.8% (6.9 thousand) of the population was over 65 years of age and 21.2% (11.4 thousand) were under 16 years of age.

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<sup>1</sup> While percentages are based on exact numbers, population and housing numbers cited above have been rounded to the nearest decimal point.

There were 14.4 thousand families in the area of which 11.3% (1.6 thousand) were low-income families, 16.6% (2.4 thousand) moderate-income families, 26.3% (3.8 thousand) middle-income families and 45.9% (3.8 thousand) upper-income families. There were 18.9 thousand households in this area of which 6.6% (1.3 thousand) had income below the poverty level.

The 1990 weighted average of median family income for this portion of the assessment area was \$40.0 thousand and the weighted average MSA/non-MSA census median family income was \$34.8 thousand. The 2001 HUD estimated median family income for the MSA/non-MSA was \$48.4 thousand.

There were 19.7 thousand housing units in the area, 90.8% (17.9 thousand) of which were 1-4 family units and 5.9% (1.2 thousand) multi family units. About 76.5% (15.1 thousand) of the units were owner occupied, 19.4% (3.8 thousand) were rental occupied and 4.4% (0.8 thousand) were vacant or boarded up. In 1990, the median age of the housing units was 30 years and the median value was \$82.3 thousand.

Genesee County: The sole census tract in the Genesee County portion of the assessment area is a middle-income tract.

According to the 1990 U.S. census, the Genesee County portion of the assessment area had a population of 5.2 thousand, which was 8.4% of the assessment area's total population. About 9.7% (0.5 thousand) of the population was over 65 years of age and 25.6% (1.3 thousand) were under 16.

There were 1.5 thousand families in this area of which 17.2% (0.3 thousand) were low-income families, 23.1% (0.4 thousand) moderate, 28.8% (0.4 thousand) middle and 30.8% (0.5 thousand) upper income families. There were 1.7 thousand households in this area of which 5.6% (0.1 thousand) had income below the poverty level.

The 1990 median family income for this portion of the assessment area was \$37.2 thousand and the MSA census median family income was \$40.5 thousand. The 2001 HUD estimated median family income for the MSA was \$52.9 thousand.

There were 1.8 thousand housing units in the area, 93.8% (1.7 thousand) of which were 1-4 family units, 0.9% (0.02 thousand) multi family units and 4.2% (0.1 thousand) mobile homes. About 79.1% (1.4 thousand) of the units were owner occupied, 16.5% (0.3 thousand) were rental occupied and 4.7% (0.1 thousand) were vacant or boarded up. In 1990, the median age of the housing units was 37 years and the median value was \$60.9 thousand.

Wyoming County: There is one census tract in Wyoming County portion of the assessment area and that tract is an upper income tract.

According to the 1990 U.S. census, the Wyoming County portion of the assessment area had a population of 3.0 thousand, which was 4.9% of the assessment area's total population. About 10.1% (0.3 thousand) of the population was over 65 years of age and 23.4% (0.7 thousand) were under 16.

There were 0.9 thousand families in this area of which 9.7% (0.08 thousand) were low-income families, 14.3% (0.1 thousand) moderate, 21.7% (0.2 thousand) middle and 54.2% (0.5 thousand) upper income families. There were 1.0 thousand households in this area of which 6.4% (0.1 thousand) had income below the poverty level.

The 1990 median family income for this portion of the assessment area was \$39.0 thousand and the non-MSA census median family income was \$40.5 thousand. The 2001 HUD estimated median family income for the non-MSA was \$52.9 thousand.

There were 1.1 thousand housing units in the area, 92.6% (1.0 thousand) of which were 1-4 family units and 6.2% (0.1 thousand) mobile homes. There were no multi family units. About 81.2% (0.9 thousand) of the units were owner occupied, 10.6% (0.1 thousand) were rental occupied and 8.7% (0.1 thousand) were vacant or boarded up. In 1990, the median age of the housing units was 30 years and the median value was \$69.7 thousand.

**PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

ASB's performance was evaluated according to the small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and other Lending-Related Activities; (2) Proportion of Lending in the Assessment Area; (3) Geographic Distribution of Lending; (4) Distribution of Lending according to Borrower Characteristics, and (5) Action Taken in Response to Written Complaints Regarding CRA.

The assessment period covered calendar years 2000 and 2001. The analysis is based on the bank's HMDA-reportable, small business and consumer lending. Since ASB's mortgage loans are Home Mortgage Disclosure Act ("HMDA")-reportable, the number and dollar volume of all such loans were considered. However, since as a small bank ASB is not required to report government monitoring information on its small business loans, the relevant analysis is based on a sample. Sampled loans include 81 small business loan originations (out of 191 total loans originated) and 149 consumer loans (out of 2,344 total loans originated). The sample size results in a selected confidence level of 95% with a plus or minus 10% level of precision that the small business and consumer loans originated match the sample.

The demographic data referred to in this report was obtained from the 1990 U.S. Census along with the updated HUD-estimated median family income.

- **Loan-to-Deposit Ratio Analysis: "Satisfactory"**

Alden State Bank's average loan-to-deposit ("LTD") ratio is reasonable considering the bank's size, financial condition and the credit needs of the assessment area.

The bank's average LTD ratio for the 11 quarters ending December 31, 2001 was 67.8%, below the national peer group's average of 74.01%. These ratios were calculated from information shown in ASB's Uniform Bank Performance Report prepared by the FDIC. As shown in the table below, the bank's LTD ratios were consistently below those of its national peer group for four quarters of the years 2000 and 2001.

**LOAN TO DEPOSIT RATIOS**

	<b>12/31/01</b>	<b>9/31/01</b>	<b>6/30/01</b>	<b>3/31/01</b>	<b>12/31/00</b>	<b>9/30/00</b>	<b>6/30/00</b>	<b>3/31/00</b>
<b>Bank</b>	60.6	60.6	61.8	66.9	70.4	71.7	69.7	71.2
<b>Peer</b>	77.4	76.8	76.2	75.0	75.6	74.3	74.2	71.9

Management stated that the bank retains on its books the loans it originates, while its peers generally sell into the secondary market. As a result, ASB does not react as quickly to market interest rate declines, and accordingly, rates offered on new loans are not as competitive as those offered by its peers.

- **Proportion of Lending Within Assessment Area: “Satisfactory”**

As noted above, the analysis of assessment area concentration was based on ASB’s total HMDA-reportable loans together with a sampling of the bank’s small business and consumer loans.

As illustrated in the table below, the bank’s assessment area concentration is satisfactory with a majority of loans originated within the assessment area:

<b>Distribution of Loans Inside and Outside of the Assessment Area</b>										
<b>Loan Category or Type</b>	<b>Number of Loans</b>					<b>Dollars in Loans (000)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Small Business										
2000	29	71	12	29	41	1,962	75	644	25	2,606
2001	29	72	11	28	40	1,358	63	783	37	2,141
<b>Subtotal</b>	<b>58</b>	<b>72</b>	<b>23</b>	<b>28</b>	<b>81</b>	<b>3,320</b>	<b>70</b>	<b>1,427</b>	<b>30</b>	<b>4,747</b>
Home Mortgage										
2000	50	59	35	41	85	2,354	52	2,146	47	4,500
2001	63	77	19	23	82	2,467	67	1,221	33	3,688
<b>Subtotal</b>	<b>113</b>	<b>68</b>	<b>54</b>	<b>32</b>	<b>167</b>	<b>4,821</b>	<b>59</b>	<b>3,367</b>	<b>41</b>	<b>8,188</b>
Consumers										
2000	60	85	11	15	71	889	88	120	12	1,009
2001	57	73	21	27	78	833	77	256	23	1,089
<b>Subtotal</b>	<b>117</b>	<b>79</b>	<b>32</b>	<b>21</b>	<b>149</b>	<b>1,722</b>	<b>82</b>	<b>376</b>	<b>18</b>	<b>2,098</b>
<b>Total</b>	<b>288</b>	<b>73</b>	<b>109</b>	<b>27</b>	<b>397</b>	<b>9,863</b>	<b>66</b>	<b>5,170</b>	<b>35</b>	<b>15,033</b>

The weighted average of loans originated in 2000 and 2001 indicate that 72.5% of the bank’s loans during the evaluation period was within its assessment area.

During 2000 and 2001, ASB originated 167 HMDA reportable loans totaling \$8.2 million, of which 113 loans (67.7%) totaling \$4.8 million (58.9%) were made within the assessment area. Based on the sample of 81 small business loans, approximately 71.6% of all small business loans originated were made within the assessment area. Approximately 78.5% of the 149 sampled consumer loans were made within the assessment area.

- **Geographic Distribution of Lending: “Satisfactory”**

The bank’s geographic distribution of HMDA-reportable lending is reasonable, with the predominance of loans extended in middle-income census tracts. The bank’s assessment area does not include any low or moderate-income census tracts.

For the year 2000, the bank originated 43, or 86% of its HMDA loans in middle-income census tracts compared with 50.7% originated by all lenders within its assessment area. During 2001, the institution extended 79.4% of its HMDA reportable assessment area originations in middle-income census tracts, compared to 48.3% for all lenders.

A geographic distribution analysis of small business and consumer loans was not performed.

- **Borrower Distribution of Lending – “Outstanding”**

Overall, the bank’s distribution of lending based on borrowers’ characteristics reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

#### HMDA Loans

The bank’s residential mortgage data reflects excellent lending penetration among low-to moderate-income borrowers within its assessment area.

In 2000, ASB extended 12.0% (six loans) and 38.0% (19 loans) of its HMDA loans to low- and moderate-income borrowers, respectively. These figures are well above the corresponding 2000 aggregate percentages of 5.3% and 18.0%, respectively.

In 2001, ASB’s HMDA lending penetration remained strong, relative to the aggregate. Specifically, the bank extended 19.0% (12 loans) and 28.6%(18 loans) of its loans to low- and moderate-income borrowers, respectively, while the aggregate achieved low- and moderate-income penetrations of 4.4% and 14.9% respectively.

As noted above, approximately 28.7% of families in the assessment area are considered LMI.

#### Small Business Loans:

As shown in the following chart, the bank’s small business lending reflects good penetration (based on revenues of business and loan size) among small businesses of different sizes in the assessment area:

Year	Loans = \$100m			Loans > \$100m but = \$250m			Loans > \$250m but = \$1mm			Loans to businesses with revenues = \$1mm			Total small business loans in Assess. Area	
	#	%	\$'000	#	%	\$'000	#	%	\$'000	#	%	\$'000	Number	\$'000
2000	24	83	868	3	10	487	2	7	607	21	72	1,154	29	1,962
2001	23	79	276	4	14	553	2	7	529	27	93	935	29	1,358
<b>Total</b>	<b>47</b>	<b>81</b>	<b>1,144</b>	<b>7</b>	<b>12</b>	<b>1,040</b>	<b>4</b>	<b>7</b>	<b>1,136</b>	<b>48</b>	<b>83</b>	<b>2,089</b>	<b>58</b>	<b>3,320</b>

*Revenue Size:* Approximately 72.4% of the 29 small business loans sampled in 2000 were extended to firms with gross annual revenues of \$1 million or less. Small business lending penetration increased in 2001, to approximately 93.1% of 29 sampled loans.

*Loan Size:* Approximately 82.8% of small business loans sampled were in made in origination amounts of less than or equal to \$100 thousand. Loans ranging from \$101 thousand to \$250 thousand accounted for about 10.3% of the loans originated. Approximately 6.9% of the loans made were for more than \$250 thousand to \$1.0 million.

The sample for 2001 indicates that approximately 79.3% of small business loans were made with origination amounts of equal to or less than \$100 thousand, showing a slight decline. Loans made in the range of \$101 thousand to \$250 thousand accounted for about 13.8% of the loans originated. About 6.9% of loans made were for more then \$250 thousand to \$1.0 million.

### Consumer Loans

The bank's distribution of consumer loans reflects excellent penetration among individuals of different income levels in its assessment area.

Approximately 45.0% of the 60 consumer loans sampled in 2000 were made to LMI borrowers. LMI penetration increased in 2001 to 50.9%, based on a sample of 57 loans.

- **Action Taken In Response to Written Complaints With Respect to CRA**

Since the last CRA evaluation dated March 31, 1999, neither the bank nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

- **Discrimination and other Illegal Practices**

**Any practices intended to discourage applications for types of credit set forth in**

## **the banking institution's CRA Public File.**

There were no practices noted that were intended to discourage applications for the types of credit offered by the institution.

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

The most recent regulatory compliance and fair lending examinations conducted concurrent with this evaluation indicates satisfactory performance in terms of adherence to anti-discrimination or other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **Process Factors**

**Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.**

The bank ascertains the credit needs of its community through regular contact and involvement of its board of directors, officers and employees with local business people, farmers, local government and school officials, and local not for profit organizations, and through contact with the public.

**The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution.**

The bank advertises in two local papers, the *Alden Advertiser* and the *Lancaster Bee*, and on a local radio station. The bank also uses statement stuffers as part of its marketing efforts.

**The extent of participation by the banking institution's board of directors/trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.**

ASB's board of directors reviews and approves the bank's CRA statement on an annual basis. The board approved the bank's latest statement on October 8, 2002. The board also reviews annually the HMDA data for CRA purposes.

- **Other Factors**

**Other factors that in the judgment of the Superintendent and Banking Board bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.**

The bank invests in local municipal security obligations, thereby reinvesting funds within its assessment area. During the evaluation period, the bank reported that it held over \$4 million in investments in the town and village of Alden, the Alden Central School District, the town and village of Lancaster, the towns of Marilla and Newstead and the Cowlesville, Crittenden, Marilla and Millgrove Volunteer Fire Companies.

The bank provides financial and technical support to civic and educational organizations that benefit citizens in the assessment area. In 2001, such financial support totaled \$13 thousand, including donations to local schools, community service, the arts, sports, police, fire and other charitable organizations. In addition, bank employees volunteer to teach Junior Achievement classes at local elementary and middle schools.

## CHARTS OF HMDA STATISTICS

<b>Residential Real Estate Loans - Year 2000 - by Borrower Income Level*</b>										
<b>Borrower</b>	<b>Total Lending</b>				<b>Assessment Area Lending</b>				<b>Aggregate**</b>	
<b>Income</b>	<b>Applics.</b>		<b>Originations</b>		<b>Applics.</b>		<b>Originations</b>		<b>Originations</b>	
<b>Level</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	16	17.4	12	14.1	8	14.5	6	12.0	72	5.3
Moderate	29	31.5	29	34.1	19	34.5	19	38.0	245	18.0
Middle	27	29.3	24	28.2	20	36.4	17	34.0	389	28.6
Upper	20	21.7	20	23.5	8	14.5	8	16.0	612	45.0
N/A		0.0		0.0		0.0		0.0	43	3.2
<b>Total</b>	<b>92</b>	<b>100.0</b>	<b>85</b>	<b>100.0</b>	<b>55</b>	<b>100.0</b>	<b>50</b>	<b>100.0</b>	<b>1,361</b>	<b>100.0</b>

\*Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

\*\*The term "Aggregate" refers to loans originated in the bank's assessment area by all HMDA reporting lenders.

<b>Residential Real Estate Loans - Year 2000 - by Geography Income Level*</b>										
<b>Geo</b>	<b>Total Lending</b>				<b>Assessment Area Lending</b>				<b>Aggregate</b>	
<b>Income</b>	<b>Applics.</b>		<b>Originations</b>		<b>Applics.</b>		<b>Originations</b>		<b>Originations</b>	
<b>Level</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	-	0.0	-	0.0	-	0.0	-	0.0		0.0
Moderate	2	2.2	1	1.2	-	0.0	-	0.0		0.0
Middle	76	82.6	70	82.4	48	87.3	43	86.0	690	50.7
Upper	14	15.2	14	16.5	7	12.7	7	14.0	671	49.3
N/A		0.0		0.0		0.0		0.0		0.0
<b>Total</b>	<b>92</b>	<b>100.0</b>	<b>85</b>	<b>100.0</b>	<b>55</b>	<b>100.0</b>	<b>50</b>	<b>100.0</b>	<b>1,361</b>	<b>100.0</b>

\*Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

<b>Residential Real Estate Loans - Year 2001 - by Borrower Income Level*</b>										
<b>Borrower</b>	<b>Total Lending</b>				<b>Assessment Area Lending</b>				<b>Aggregate**</b>	
<b>Income</b>	<b>Applics.</b>		<b>Originations</b>		<b>Applics.</b>		<b>Originations</b>		<b>Originations</b>	
<b>Level</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	19	20.7	16	19.5	14	20.3	12	19.0	95	4.4
Moderate	24	26.1	22	26.8	19	27.5	18	28.6	321	14.9
Middle	21	22.8	20	24.4	16	23.2	15	23.8	590	27.3
Upper	24	26.1	21	25.6	16	23.2	15	23.8	1,073	49.7
N/A	4	4.3	3	3.7	4	5.8	3	4.8	79	3.7
<b>Total</b>	<b>92</b>	<b>100.0</b>	<b>82</b>	<b>100.0</b>	<b>69</b>	<b>100.0</b>	<b>63</b>	<b>100.0</b>	<b>2,158</b>	<b>100.0</b>

\*Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

\*\*The term "Aggregate" refers to loans originated in the bank's assessment area by all HMDA reporting lenders.

<b>Residential Real Estate Loans - Year 2001 - by Geography Income Level*</b>										
<b>Geo</b>	<b>Total Lending</b>				<b>Assessment Area Lending</b>				<b>Aggregate</b>	
<b>Income</b>	<b>Applics.</b>		<b>Originations</b>		<b>Applics.</b>		<b>Originations</b>		<b>Originations</b>	
<b>Level</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	-	0.0	-	0.0	-	0.0	-	0.0		0.0
Moderate	4	4.3	2	2.4	-	0.0	-	0.0		0.0
Middle	71	77.2	63	76.8	56	81.2	50	79.4	1,043	48.3
Upper	17	18.5	17	20.7	13	18.8	13	20.6	1,115	51.7
N/A		0.0		0.0		0.0		0.0		0.0
<b>Total</b>	<b>92</b>	<b>100.0</b>	<b>82</b>	<b>100.0</b>	<b>69</b>	<b>100.0</b>	<b>63</b>	<b>100.0</b>	<b>2,158</b>	<b>100.0</b>

\*Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

## GLOSSARY

### Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

### Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3), above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women’s centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

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

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

- ❖ advertising and promotions, publications, workshops and conferences;
- ❖ Furnishing financial services training for staff and management;
- ❖ Contributing accounting/bookkeeping services; and
- ❖ Assisting in fund raising, including soliciting or arranging investments.

### **Demand-Adjusted Penetration Rate**

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area.

Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

### **Demand-Adjusted Penetration Ratio**

A ratio that depicts geographic penetration of loans by comparing demand-adjusted lending in LMI areas with non-LMI areas. Mathematically, it is arrived at by dividing the demand-adjusted penetration rate in non-LMI areas into the demand-adjusted penetration rate in LMI areas and then expressed as a percentage.

A ratio of 100% means that the institution (or aggregate as appropriate) made an equal number of loans proportionally in LMI and non-LMI areas. Less than 100 percent would indicate less lending in LMI areas on the same basis compared to non-LMI areas, whereas over 100 percent would indicate a greater level of lending in LMI areas versus non-LMI areas.

### **Home Mortgage Disclosure Act (“HMDA”)**

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

### **Loans to Small Businesses**

Small business loans to businesses with gross annual revenues of \$1 million or less.

### **Low or Moderate Income (“LMI”) Geographies**

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

### **LMI Borrowers**

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

### **LMI Individuals/Persons**

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

### **Small Business Loans**

Loans to businesses with original amounts of \$1 million or less.