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

One State Street
New York, NY 10004

## PUBLIC SUMMARY

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**Institution**: The Berkshire Bank
4 East 39th Street
New York, NY 10022

**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 The Berkshire Bank ("TBB") 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

The Berkshire Bank ("TBB") is rated "2", indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following:

- TBB's average loan-to-deposit (LTD) ratio for the eight consecutive quarters between evaluations was 57.3%. The LTD ratio rose significantly between evaluations. While still below the peer average, the bank's LTD ratio was considered reasonable given the bank's size, financial strength, and keen competition in the assessment area.

- Enhancing the bank's record of performance, TBB had an excellent level of community development loans totaling $5.3 million for the evaluation period.

- Supplementing its lending activities as reflected in the LTD ratio, the bank had $6.3 million of qualified community development investments.

- The bank originated a substantial majority of its loans in the assessment area. Although TBB originated just 29(55.1%) loans in its assessment area in 2000, the bank's lending increased to 325(85.9%) assessment area loans in 2001.

- TBB's geographic distribution of loans did not meet performance standards and needs improvement. During 2000 and 2001, the bank originated only two (12.5%) HMDA reportable loans for $444 thousand, and five (1.8 %) loans for $592 thousand in LMI geographies, respectively. In 2000, the HMDA aggregate achieved an LMI penetration of 24.1%. The HMDA aggregate for 2001 was not available. Only six small business loans for $1 million were originated to LMI tracts in 2001.

- TBB's borrower income distribution of loans met performance standards and was satisfactory. While the bank originated only two assessment area loans to LMI borrowers in 2000, TBB originated 22 (7.9%) HMDA loans totaling $2 million to LMI borrowers in 2001. The bank also made 40 (88%) small business loans to small businesses, totaling $9.3 million, for the same period.

- Neither the bank nor the New York State Banking Department has received any CRA-related complaints since the prior evaluation.

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**:

The Berkshire Bank ("TBB" or the "bank"), founded in 1989 as a New York State-chartered, FDIC insured, non-member commercial bank, formerly specialized in banking for high net worth individuals. As a private bank, TBB's operation was limited to deposit accounts and commercial loans.

The bank is a wholly owned subsidiary of Berkshire Bancorp Inc, a one-bank holding company. On March 31, 2001, the Berkshire Bank officially completed its merger with Goshen Savings Bank ("GSB"), a subsidiary of Goshen Savings Bank Financial Corporation ("GSBFC"), which was originally founded in 1874 as a mutual savings bank serving Orange County. In 1997, Goshen Savings Bank converted into a stock savings bank.

TBB now operates seven full-service branch offices. Two branches are located in New York County, one in Brooklyn; three in Orange County and one in Sullivan County. Supplementing the banking offices is an automated teller machine (ATM) network, consisting of five ATMs located at five branches.

According to the Consolidated Reports of Condition and Income dated December 31, 2001, the bank reported $520.1 million in total assets, comprised primarily of $245.8 million, or 47.2% in gross loans and $236.4 million (45.4%) in investments. On the same date, deposits totaled $354.4 million, including $285.4 million in core deposits. Equity capital totaled $64.2 million. The bank reported a net income of$ 2.2 million for the 12 months ending December 31, 2001.

The bank currently offers a wide variety of lending products including,

- Residential 1-4 Family Mortgage loans
- Multifamily Mortgage loans
- Home Equity loans;
- Consumer loans

Commercial Mortgage loans;
Commercial & Industrial loans
Business Loans-secured/unsecured.
Letters of Credit;

Based on the Consolidated Reports of Condition, the following table illustrates the bank's loan portfolio on December 31, 2001 and December 31, 2000.

| TOTAL GROSS LOANS OUTSTANDING | | | | |
|---|---|---|---|---|
| LOAN TYPE | 12/31/2001 | | 12/31/2000 | |
| | $ ('000) | % | $ ('000) | % |
| Residential Mortgage Loans | 164,970 | 67.1 | 25,677 | 38.0 |
| Commercial Mortgage Loans | 49,415 | 20.1 | 29,024 | 42.9 |
| Mutifamily Mortgages | 11,186 | 4.6 | 4,765 | 7.0 |
| Consumer Loans | 3,721 | 1.5 | 229 | 0.3 |
| Commercial & Industrial Loans | 14,830 | 6.0 | 6,919 | 10.2 |
| Other Loans | 1,408 | 0.6 | 1,065 | 1.6 |
| Farm Loans | 225 | 0.1 | 0 | 0 |
| Total Gross Loans | 245,755 | 100.0 | 67,679 | 100.0 |

On December 31, 2001, TBB's loan portfolio had grown to $245.8 million from $67.7 million at the prior year-end, an increase of 263%. This growth in loan volume was attributed primarily to the bank's merger with Goshen Savings Bank. While the bank's business strategy now includes all types of commercial and real estate lending products, residential mortgage loans constituted 67.1% of total gross loans on December 31, 2001. This percentage almost doubled the pre-merger figure of 38% at year-end 2000, reflecting a major shift in the bank's primary business focus to residential mortgage lending.

The number of consumer loans made was not sufficient for any meaningful analysis of income and geographic distributions. In addition, information made available for review by examiners was limited.

It is noted that at the last CRA Performance Evaluation, New York State examiners found TBB's lending volume and LMI penetration to be weak. In response to the Banking Department's concerns, TBB agreed to endeavor to materially increase its lending in LMI areas and to LMI borrowers (by, among other things, developing relationships with community organizations), and to seek additional ways to serve its community through CRA qualified activities such as loan purchases and qualified investments.

There were no financial or other factors noted that would inhibit the bank's ability to help meet the credit needs of the community.

**Assessment Area**

TBB's assessment area has changed since the prior Performance Evaluation, at which time it designated all of primary statistical area 5600. With the removal of Putnam, Richmond (Staten Island), Rockland, Queens and Westchester Counties, and the addition of several others within GSB's market, the bank's new assessment area encompasses New York County, Kings (Brooklyn), Bronx, Orange County, and the Towns of Mamakating, Forestburgh, Thompson, and Fallsburg in Sullivan County. Excluding zero-income tracts, the bank's assessment area consists of 1,472 census tracts, of which 305 (or 20.8 %) are low-income, 349 (or 23.7%) are moderate- income, 461 (or 31.3%) middle–income and 357 (or 24.2 %) are upper-income.

**County Demographics:**

**Kings County** (Brooklyn) has 789 census tracts including 114 low-income tracts (14.5%), 207 moderate (26.2%), 302 middle (38.3%) and 147 upper income tracts (18.6%). There are also 19 no income tracts (2.4%).

According to the U.S. Census Bureau, Kings County had a population of 2.3 million in 1990 and it increased by 164.7 thousand (7.2%) to 2.5 million in 2000.

In 1990, there were 563.3 thousand families in the county of which 50% (281.6 thousand) were LMI families, including 19.5% (109.8 thousand) whose income was below the poverty level. Nineteen percent (106.8 thousand) were middle- and 31% (174.9 thousand) were upper-income families. There were 827.7 thousand households in the county of which 21.5% (178.1 thousand) had incomes below the poverty level.

Sixty-two point three percent (175.4 thousand) of the LMI families lived in LMI census tracts and these families accounted for 65.9% of all the families (266.1 thousand) that lived in LMI census tracts.

There were 873.7 thousand housing units in Kings County, 46.3% (404.7 thousand) of which were 1 to 4 family units and 52.2% (455.7 thousand) were multi-family units. Only 24.7% (215.8 thousand) of the housing units were owner-occupied and 70.1% (612.4 thousand) was rent occupied. Five point six percent (48.9 thousand) of all housing units were vacant or boarded up. The median housing value was $194.7 thousand and the median age of the housing was 42 years.

The 1990, median family income for the county was $30 thousand and the median family income for the MSA was $37.5 thousand. HUD's estimated median family income for the MSA was $56.2 thousand in 2000 and $59.1 thousand in 2001.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in 1999 in the county were services 39.9%, finance, insurance and real estate 11.9% and the retail trade 8.4%. In 1989, the major sources of earning were services 35.8%, the retail trade 10.0% and non-durable goods manufacturing 8.9%.

According to a Dun and Bradstreet survey in 2000 there were 59.4 thousand businesses in Kings County of which 49.9 thousand (84.0%) had revenues of $1 million or less. Five point one thousand (8.6%) had revenues of more than $1 million and 4.4 thousand (7.4%) were businesses on which no revenues were reported. Twenty-three point seven thousand (39.9%) of the businesses were located in LMI census tracts. Ninety-one point five percent (54.4 thousand) of all businesses in the county had fewer than 50 employees and 88.9%

(52.9 thousand) operated from a single location.

Forty one percent (24.4 thousand) of all firms were service providers, 25.9% (25.4 thousand) were in the retail trade, 8% (4.7 thousand) in the wholesale trade, 7.7% (4.6 thousand) in finance, insurance and real estate, 6.4% (3.8 thousand) in construction and 5.7% (3.4 thousand) in manufacturing.

According to the New York State Department of Labor, the county's average unemployment rates were 7.9% in 1999 and 6.8% in 2000. The county's average unemployment rates were above both the state's average rates of 5.2% in 1999 and 4.6% in 2000 and the MSA's average rates of 6.2% in 1999 and 5.3% in 2000.

Portions of Kings County are designated as Economic Development Zones (EDZ) by the State of New York, based on community economic distress. The Brooklyn Navy Yard, Sunset Park and Red Hook neighborhoods are designated EDZs. Firms located in these areas may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

**Bronx County** has 355 census tracts including 126 low-income tracts (35.5%), 65 moderate- (18.3%), 88 middle- (24.8%) and 61 upper-income tracts (17.2%). There are also 15 no income tracts (4.2%).

According to the U.S. Census Bureau, the Bronx had a population of 1.2 million in 1990 and it increased by 128.9 thousand (10.7%) to 1.3 million in 2000.

In 1990, there were 292 thousand families in the county of which 56.7% (165.5 thousand) were LMI families, including 25.7% (75 thousand) whose income was below the poverty level. Seventeen point nine percent (52.2 thousand) were middle and 25.4% (74.3 thousand) were upper income families. There were 423.2 thousand households in the county of which 26.9% (114 thousand) had income below the poverty level.

Seventy-seven point two percent (127.7 thousand) of the LMI families lived in LMI census tracts and these families accounted for 72.2% of all the families (177 thousand) that lived in LMI census tracts.

There were 441 thousand housing units in the Bronx, 23.4% (103.1 thousand) of which were 1 to 4 family units and 74.7% (329.2 thousand) were multi-family units. Seventeen point two percent (75.8 thousand) of the housing units were owner occupied and 79% (348.3 thousand) were rental occupied. Four percent (17.5 thousand) of all the housing units were vacant or boarded up. The median housing value was $173 thousand and the median age of the housing was 32 years.

The 1990, median family income for the county was $25.5 thousand and the median family income for the MSA was $37.5 thousand. HUD's estimated median family income for the MSA was $56.2 thousand in 2000 and $59.1 thousand in 2001.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in 1999 in the county were services 47.8%, state and local government 7.7% and the retail trade 7.5%. In 1989, the major sources of earning were services 40.3%; construction 9.8% and the retail trade 8.9%.

According to a Dun and Bradstreet survey in 2000 there were 21.9 thousand businesses in the Bronx of which 18.4 thousand (84.2%) had revenues of $1 million or less. One point eight thousand (8.3%) had revenues of more then $1 million and 1.6 thousand (7.5%) were businesses on which no revenues were reported. Eleven point six thousand (52.8%) of the businesses were located in LMI census tracts. Eighty-nine point five percent (19.6 thousand) of all businesses in the county had fewer than 50 employees and 86.6% (19 thousand) operated from a single location.

Forty one point eight percent (9.2 thousand) of all firms were service providers, 28.2% (6.2 thousand) were in the retail trade, 8.9% (2 thousand) in finance, insurance and real estate, 6.2% (1.4 thousand) in construction, 5.8% (1.3 thousand) in the wholesale trade and 4.5% (1 thousand) in transportation and communications.

According to the New York State Department of Labor, the county's average unemployment rates were 8.1% in 1999 and 7.3% in 2000. The county's average unemployment rates were above both the state's average rates 5.2% in 1999 and 4.6% in 2000 and the MSA's average rates of 6.2% in 1999 and 5.3% in 2000.

Portions of the Bronx are designated as Economic Development Zones (EDZ) by the State of New York, based on community economic distress. The Hunts Point and Port Morris neighborhoods are designated EDZs. Firms located in these areas may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

A portion of the South Bronx shares a designated Federal Empowerment Zone (FEZ) with Harlem (part of New York County). This area receives financial and technical support from a multiple of federal agencies, including HUD, USDA, HHS, Treasury, Labor and Justice as well as from the state and local governments. The program's purposes is to increase the employment opportunities of the residences through job training and economic development, to create new jobs and retain current jobs as well as programs for affordable housing, education and childcare. Various federal tax benefits and other assistance are available to businesses that open or employ residents in a FEZ.

**New York County** (Manhattan) has 298 census tracts including 63 low-income tracts (21.1%), 65 moderate (21.8%), 33 middle (11.1%) and 126 upper income tracts (42.3%).

There are also 11 no income tracts (3.7%).

According to the U.S. Census Bureau, New York County had a population of 1.49 million in 1990 and it increased by 49.7 thousand (3.3%) to 1.54 million in 2000.

In 1990, there were 305.4 thousand families in the county of which 42.6% (130.2 thousand) were LMI families, including 17.4% (53.1 thousand) whose income was below the poverty level. Fourteen point four percent (43.8 thousand) were middle and 43% (131.3 thousand) were upper income families. There were 716.8 thousand households in the county of which 16.8% (120.1 thousand) had income below the poverty level.

Seventy-six point five percent (99.6 thousand) of the LMI families lived in LMI census tracts and these families accounted for 68.3% of all the families (145.8 thousand) that lived in LMI census tracts.

There were 785.1 thousand housing units in New York County, 2.9% (22.6 thousand) of which were 1 to 4 family units and 95.7% (751.4 thousand) were multi-family units. Sixteen point three percent (128.0 thousand) of all housing units were owner occupied and 75.0% (588.4 thousand) were rental occupied. Nine point one percent (71.2 thousand) of all the units were vacant or boarded up. The median housing value was $471.1 thousand and the median age of the housing was 43 years.

The 1990, median family income for the county was $36.8 thousand and the median family income for the MSA was $37.5 thousand. HUD's estimated median family income for the MSA was $56.2 thousand in 2000 and $59.1 thousand in 2001.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in 1999 in the county were finance, insurance and real estate 37.3%, services 31.5% and state and local government 10%. In 1989, the major sources of earning were services 33.6% finance insurance and real estate 25.1% and state and local government 13.7%.

According to a Dun and Bradstreet survey in 2000 there were 138.7 thousand businesses in New York County of which 108.7 thousand (78.3%) had revenues of $1 million or less. Twenty-three point four thousand (16.9%) had revenues of more then $1 million and 6.7 thousand (4.9%) were businesses on which no revenues were reported. Thirty point eight thousand (22.2%) of the businesses were located in LMI census tracts. Eighty-nine point two percent (123.8 thousand) of all businesses in the county had fewer than 50 employees and 78.6% (109 thousand) operated from a single location.

Forty-six point two percent (64.1 thousand) of all firms were service providers, 16.4% (22.8 thousand) were in the retail trade, 14.1%(19.5 thousand) in finance, insurance and real estate, 10.0% (13.9 thousand) in the wholesale trade, 7.1% (9.9 thousand) in manufacturing and 3.5% (4.8 thousand) in transportation and communications.

According to the New York State Department of Labor, the county's average unemployment rates were 5.7% in 1999 and 4.9% in 2000. The county's average unemployment rates were above the state's average rates of 5.2% in 1999 and 4.6% in 2000 but were below the MSA's average rates of 6.2% in 1999 and 5.3% in 2000

A portion of New York County is designated an Economic Development Zone (EDZ) by the State of New York, based on community economic distress. East Harlem is designated an EDZ. Firms located in this area may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

A portion of the New York County (Harlem) shares a designated Federal Empowerment Zone (FEZ) with the South Bronx. This area receives financial and technical support from a multiple of federal agencies, including HUD, USDA, HHS, Treasury, Labor and Justice as well as from the state and local governments. The program's purposes is to increase the employment opportunities of the residences through job training and economic development, to create new jobs and retain current jobs as well as programs for affordable housing, education and childcare. Various federal tax benefits and other assistance are available to businesses that open or employ residents in a FEZ.

**Orange County** has 67 census tracts including 2 low-income tracts (3%), 12 moderate (17.9%), 32 middle (47.8%) and 20 upper income tracts (29.9%). There is also 1 no income tract (1.5%). The county is part of MSA 5660 (Newburgh, NY-PA)

According to the U.S. Census Bureau, Orange County had a population of 307.6 thousand in 1990 and it increased by 75.9 thousand (28.6%) to 341.4 thousand in 2000. In 1990, 25% (76.7 thousand) of the population was under the age of 16 years and 10.5% (32.2 thousand) was over 65.

In 1990, there were 77.9 thousand families in the county of which 35.1% (27.3 thousand) were LMI families, including 6.4% (5 thousand) whose income was below the poverty level. Twenty five point one percent were middle and 39.8% were upper income families. There were 101.7 thousand households in the county of which 8.5% (8.7 thousand) had income below the poverty level.

Thirty one point two percent (8.5 thousand) of the LMI families lived in LMI census tracts and these families accounted for 64.3% of all the families (13.2 thousand) that lived in LMI census tracts.

In 1990, there were 110.8 thousand housing units in the county, 83.7% (92.7 thousand) of which were 1 to 4 family units, 11.3% (12.5 thousand) were multifamily units and 3.8% (4.3 thousand) mobile homes.

Sixty one point eight percent (68.5 thousand) of all the units were owner occupied, of which 10.2% (7 thousand) were in LMI tracts and 29.8% (33 thousand) were rental occupied, of which 36.0% (11.9 thousand) were in LMI areas. Eight point seven percent (9.7 thousand) of all the units were vacant or boarded up. The median housing value was $141.2 thousand and the median age of the housing was 21 years.

In 1990, the median family income for the county was $ 44.0 thousand and the median family income for the MSA was $ 42.9 thousand. HUD's estimated median family income for the MSA was $ 54.4 thousand in 2000 and $ 55.8 thousand in 2001.

According to the New York Department of Labor, the county's average unemployment rates were 3.5% in 1999 and 3.1% in 2000. The county's average unemployment rates were below the state's average rates of 5.2% in 1999 and 4.6% in 2000 and in line with MSA average rates of 3.5% in 1999 and 3.1% in 2000.

Portions of Orange County have been designated as Economic Development Zones (EDZ) by the State of New York, based on community economic distress. Newburgh/New Windsor and Stewart Airport have been designated EDZs. Firms located in these areas may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

Portions of Orange (Newburgh) and Ulster (Kingston) Counties has been designated a Federal Enterprise Community (FEC). This area receives financial and technical support from a multiple of federal agencies, including HUD, USDA, HHS, Treasury, Labor and Justice as well as from the state and local governments. The program's purposes is to increase the employment opportunities of the residences through job training and economic development, to create new jobs and retain current jobs as well as programs for affordable housing, education and childcare. Various federal tax benefits and other assistance are available to businesses that open or employ residents in a FEC.

**Sullivan County Partial** – has 25 BNAs of which 9 are included in the bank's assessment area. Six (66.7 %) of the BNAs are middle income and 3 (33.3%) upper income areas. There are no low, moderate or no income areas in the assessment area or county. The county is not part of a MSA.

According to the U.S. Census Bureau, Sullivan County had a population of 69.3 thousand in 1990 and increased by 4.7 thousand (6.8%) to 74 thousand in 2000. In 1990, the nine blocks numbering areas (BNA) included in the bank assessment area had a population of 30.5 thousand in 1990 or 44% of the county's total population. Twenty two point three percent (6.8 thousand) of the population was under the age of 16 years and 12% (3.7 thousand) was over 65.

In 1990, there were 7.2 thousand families in the county of which 29.2 % (2.1 thousand) were LMI families, including 12.13% (1.3 thousand) whose income was below the poverty level. Twenty five point one percent were middle and 39.8% were upper income families. There were 10.3 thousand households in the county of which 12.1% (1.3 thousand) had income below the poverty level.

Thirty one point two percent (8.5 thousand) of the LMI families lived in LMI census tracts and these families accounted for 64.3% of all the families (13.2 thousand) that lived in LMI census tracts.

In 1990, there were 17.1 thousand housing units in the county, 76.7% (13.1 thousand) of which were 1 to 4 family units, 10.6 % (1.9 thousand) were multifamily units and 11.8% (2 thousand) mobile homes.

Thirty nine point one percent (6.7 thousand) of all the units were owner occupied, of which 10.2% (7 thousand) were in LMI tracts and 21.3% (3.7 thousand) were rental occupied, of which 36.0% (11.9 thousand) were in LMI areas. Forty point fifty percent (6.9 thousand) of all the units were vacant or boarded up. The estimated median housing value was $ 98.4 thousand and the median age of the housing was 27 years.

In 1990, the median family income for the county was $ 35.1 thousand for all the non-MSA counties it was $ 31.5 thousand. HUD's estimated median family income for the MSA was $39.3 thousand in 1999 and $ 41.4 thousand in 2000.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest source of earnings in 1998 in the county were services 30.5%, state and local government 24.4% and transportation and public utilities 14.6%. In 1998, the major source of earnings was services 30.1%, state and local government 20.3% and transportation and public utilities 13.1%.

According to a Dun and Bradstreet survey in 1999 there were 2.3 thousand businesses in the assessment area of which 2 thousand (87%) had revenues of $1 million or less. Two hundred (7.4%) had revenues of more than $1.0 million and one hundred (5.6%) were businesses on which no revenues were reported. Ninety one point two percent (2.1 thousand) of all businesses had fewer than 50 employees and 85.3% (1.9 thousand) operated from a single location.

Thirty nine point two percent (nine hundred) of all firms were service providers, 23.4% (five hundred were in the retail trade, and 10.7% (two hundred) in construction.

According to the New York Department of Labor, the county's average unemployment rates were 6% in 1999 and 5% in 2000. The county's average unemployment rates were above the state's average rates of 5.2% in 1999 and 4.6% in 2000.

The assessment area appears reasonable based upon the (location of branches, lending patterns etc.) There is no evidence that LMI areas are arbitrarily excluded.

## PERFORMANCE TESTS AND ASSESSMENT FACTORS

TBB's performance for the years 2000 and 2001 was evaluated under 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 based on Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA[1].

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 Analysis** - "Satisfactory"

Based on information contained in the Uniform Bank Performance Reports, the average loan-to-deposit ratio (LTD) for the eight consecutive quarters ended December 31, 2001 was 57.3%. However, the bank's average LTD ratio was only 44.1% in 2000, substantially below the national average of 74.5%. After the merger in 2001, the bank's LTD rose significantly to 70.6%. While still below the peer average of 78.9%, the bank's LTD for 2001 was considered reasonable given the bank's size, financial strength and keen competitive market conditions in the assessment area.

It is noted that following the merger, the TBB's volume of both residential and small business loans increased substantially. A review of the bank's Home Mortgage Disclosure Act/ Loan Application Register ("HMDA/ LAR ") data, supplied by the bank, for 2000 and 2001 revealed the following:

| HMDA/LAR SUMMARY | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Loan Category | 12/30/2000 | | | | 12/31/2001 | | | |
| | Application | | Origination | | Application | | Origination | |
| | # | $('000) | # | $('000) | # | $('000) | # | $('000) |
| Home Purchase | 21 | 6,395 | 15 | 4,521 | 155 | 25,411 | 109 | 19,066 |
| Refinance | 14 | 3,618 | 13 | 3,118 | 261 | 38,145 | 208 | 30,923 |
| Multifamily | 1 | 803 | 1 | 803 | 2 | 3,200 | 2 | 3,200 |
| Home Improvement | 0 | 0 | 0 | 0 | 9 | 219 | 6 | 153 |
| **Total** | **36** | **10,816** | **29** | **8,442** | **427** | **66,975** | **325** | **53,342** |

1 Although TBB reported total assets of $520.1 million on December 31, 2001, the bank was evaluated as a "Small Bank" for purposes of this examination. The Banking Department applies the small banking institution performance standards, as set forth in Section 76.12 of the General Regulations of the Banking Board, in evaluating the performance of a banking institution that was a small banking institution during the prior calendar year, unless the banking institution elects to be assessed under the large bank performance standards. TBB's total assets were $224.2 million as of December 31, 2000.

In 2000, the bank processed 36 HMDA reportable loans totaling $10.9 million, of which 29 loans (80.6%) totaling $8.4 million (77.0%) were originated. Application and lending activity in year 2001 increased significantly from the prior year, with 427 applications totaling $67 million, of which 325 loans (76.1%) totaling $53.3 million (79.6%) were originated.

TBB extended nine small business loans for $2.1 million in 2000, and 48 small business loans for $10.6 million 2001. The bank is an approved Small Business Administration lender; however, it has not originated any SBA loan in 2000 and 2001. On the examination date, the bank has two SBA loans on its books with an aggregate balance of $265.1 thousand.

*Community Development Lending*

Enhancing the bank's overall performance record, TBB had an outstanding level of community development loans. For the evaluation period, the bank had $5.3 million in community development commitments, of which $1.3 million (25%) was "new money." Of the total commitments, $1.5 million (28.3%) went to support community services, $3.5 million (67%) went to affordable housing, and $250 thousand (4.7%) went to support economic development.

The following are the bank's community development loans:

*New York Business Development Corporation ("NYBDC")* – In August of 2000, the bank extended a $250 thousand line of credit to NYBDC, of which $24.6 thousand was outstanding on December 31, 2001. The NYBDC is a privately owned entity created by New York State statute and funded by commercial and savings bank under lines of credit that are utilized to provide a broad range of financing to small and mid-sized businesses located in New York State.

*Machon Bais Yaacov ("MBY")* - During April and December of 2001, TBB extended a total of $50 thousand in loans to MBY, a non-profit religious high school located in a moderate-income census tract. About 80% of students of students in this school receive full or partial scholarships based upon their economic need. There was an outstanding balance of $25 thousand on evaluation date.

*Ohel Children's Home and Family Services, Inc ("OCHFSI")* - In December of 2001, the bank extended a $275 thousand loan to this non-profit organization founded in 1961. OCHFSI provides services for the care of the destitute, abandoned, dependent and emotionally disturbed children and adults, to maintain and/or provide residential facilities for these services. In addition, this organization also has other non-residential programs to help the disabled adults. Ohel is funded primarily through service fees paid by Federal, New York State, New York City, and Medicaid, as well as private contributions. The full amount was outstanding on evaluation date.

*Young Men and Young Women's Hebrew Association of Boro Park ("YM-YWHA")* - In March of 2001, the bank extended a $25 thousand loan for three months to this non-profit center for senior citizens and recreational activities. It also provides scholarship to about 65% of children in its summer camp based upon economic need. On the evaluation date there was nothing outstanding.

*Bais Ezra, Inc- ("BEI")*- July 2000, the bank extended a loan of $713.3 thousand to this non-profit organization. BEI is a voluntary not-for-profit corporation that operates 11 residential programs for mentally retarded adults, certified through the New York State office of Mental Retardation. New York State provides operational and capital expenses. On the evaluation date, there was nothing outstanding.

Prior to this evaluation, the bank extended credit facilities to several organizations for various CRA related programs, with the following amounts outstanding:

*Lincoln Atlantic Motor Inn, Inc ("LAMI")* - In November of 1997, the bank extended a $1.2 million loan to LAMI, which provides housing to homeless families approved by New York City. On December 31, 2001, there was a $510.3 thousand outstanding balance.

*Young Men and Young Women's Hebrew Association of Boro Park, Inc ("YM-YWHA")* - In April of 1996, the bank extended a $150 thousand loan to YM-YWHA. On December 31, 2001, there was an $84.1 thousand outstanding balance.

*Machon Bais Yaakov. ("MBY")* - In June of 1996, TBB extended a $1.3 million loan to MBY. On December 31, 2001, there was a $574 thousand outstanding balance.

*Wavecrest Realty Group ("Wavecrest")* - In March of 1997, the bank extended $1.3 million commercial mortgage loan to Wavecrest secured by a building which houses Wavecrest Home for Adults, which is an assisted living facility licensed by the New York State Department of Social Services. Residents receive three meals a day, housekeeping, recreation activity, distribution of medication and limited medical care. Ninety-five percent of the residents are SSI recipients. On December 31, 2001, there was a $1.1 million outstanding balance.

*Qualified Investments*

Supplementing its lending activities as reflected in the LTD ratio, the bank has a significant volume of qualified investments. On December 31, 2001, TBB's qualified investments totaled $ 6.3 million, including $5.0 million in mortgage-backed securities, $500 thousand invested in equity of the Statewide Zone Capital Corp. and $774.2 thousand in GNMA securities. In addition, there were $29.2 thousand in grants. The qualified investments are neither innovative nor complex.

*Federal Housing Authority (FHA)* -The bank purchased $5.0 million FHA-insured mortgage backed-securities (MBS)- known as Greystone Insured Series in January 2001, which was backed by residential mortgages extended to LMI individuals and/or low or moderate-income geographies within the bank's assessment area.

*Statewide Zone Capital Zone Corp* -The bank made an equity investment of $500 thousand in the Statewide Zone Capital Corporation (SZCC) on June 16, 2000. SZCC is a private investment fund whose capital will be used to promote the expansion and growth of new and existing businesses located in New York's 51 Economic Development Zones.

*GNMA* - In July and August 2001, the bank purchased GNMA securities for $ 404.2 thousand and $ 370 thousand respectively totaling $ 774.2 thousand. These bonds are secured by residential mortgages derived from either low or moderate-income individuals and/or low or moderate–income geographies within the bank's assessment area.

*Federal Home Loan Bank* - Grants totaled $29.2 thousand, which represented the bank's share of the earning held back by the Federal Home Loan Bank of New York for its' Affordable Housing Program**.**

**Proportion of Lending Within Assessment Area** – "Satisfactory"

The distribution of TBB**'**s lending activity was determined through a review of the HMDA and small business loan data submitted by the bank for 2000 and 2001. The review indicated that the majority of the HMDA and small business loans were made in the bank's assessment area.

During 2000, the bank originated 29 HMDA reportable loans totaling $8.4 million, of which 16 (55.1%) loans totaling $3.6 million (42.9 %) were made within the assessment area. In 2001, the bank originated 325 HMDA loans totaling $53.3 million, of which 279 (85.9%) loans totaling $45.0 million (84.2%) were originated in its assessment area, showing a substantial increase.

In 2000, TBB extended nine small business loans totaling $2.1 million of which eight (88.9%) loans totaling $1.9 million (90.4%) were made in the assessment area. In 2001, the bank made 48 small business loans totaling $10.5 million, of which 46 (95.9%) loans totaling $10.1 million (95.2 %) were made in the assessment area.

**Geographic Distribution of Lending** – "Needs to Improve"

TBB's geographic distribution of loans does not meet performance standards and needs to improve.

In 2000, the bank extended only two (12.5%) HMDA-reportable loans totaling $444 thousand (12.3%) in LMI geographies in its assessment area, compared to 24.1% and 20.1% for the HMDA aggregates, respectively. During 2001, TBB originated only five

(1.8%) HMDA-reportable loans totaling $592 thousand (1.3%) in LMI geographies. The HMDA aggregate for 2001 was not available. These figures reflect only a slight increase in the volume of LMI loans and a significant percentage decline, due to a large overall increase in lending following the merger.

In 2001, the bank made six (75%) small business loans totaling $1.0 million (53.6%) in LMI geographies in its assessment area. Information regarding the geographic distribution of small business loans in 2000 was not available.

**<u>Borrower Distribution of Lending</u>** – "Satisfactory"

TBB's distribution of loans based on borrower income is satisfactory overall, based on weak performance in 2000, but a significant increase in lending to LMI individuals in 2001. It is noted that the increase is attributable to loans originated in the areas surrounding the former offices of GSB.

In 2000, TBB originated just two assessment area loans to LMI individuals. Due to the extremely low volume of activity, the LMI percentage would not be a meaningful measure of the bank's performance. It is noted that the HMDA aggregate originated 13.7% of its loans to LMI individuals for that year.

The bank extended 22 loans or 7.9% of the assessment area HMDA loans, totaling $2 million, to LMI borrowers in 2001. The HMDA aggregate data was not available.

In 2001,17(38.6%) small business loans totaling $1.3 million were extended to businesses with revenue of less than $100 thousand. Fourteen (31.9%) loans totaling $3.3 million were extended to businesses whose revenue fell between $100 thousand and $250 thousand. Seven (16 %) loans totaling $4.2 million were extended to businesses whose revenue fell between $250 thousand and $500 thousand. One (2.2%) small business loan totaling $455 thousand was extended to a business whose revenue fell between $500 thousand and $1 million. Five (11.3 %) loans totaling $568 thousand were extended to businesses whose revenues were in excess of $1 million.

**<u>Action Taken In Response to Written Complaints With Respect to CRA</u>**

Neither the bank nor the New York State Banking Department has received any CRA-related complaints since the prior evaluation.

**<u>Services</u>**

The bank provides the following services through its branch network to help meet the banking needs of the community:

- TBB has a limited service branch at Glen Arden Retirement Community in Goshen; Orange County to serve the banking needs of the senior citizens.

- A branch provides 229 Orthodox Union employees with a free checking account including overdraft lines of credit.

- In 2001, TBB expanded its residential mortgage department at its Brooklyn branch resulting in additional loan products to help meet the credit needs of its customers.

**Discrimination or 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 seemed 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 report made concurrent with this evaluation indicates a satisfactory performance in terms of adherence to anti-discrimination or other applicable laws and regulations. No evidence of prohibited discrimination or other illegal credit practices was noted.

## V. 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 the community through direct contact by its officers and staff with local businesses involved in affordable housing and activities that promote community development.

Following is a brief description of the bank's community development services:

The officers of TBB serve as members, board of directors and trustees of several community development organizations. These include:

- Arden Hill Foundation (Community Hospital Foundation);
- Hudson Valley Council Boy Scouts of America;
- Middletown Day Care;
- The Community Foundation of Orange County;
- McQuade Children's Services; and
- The Citizens Foundation of Orange County.

The bank's loan officers organized a first-time homebuyer seminar during this evaluation period. After the homebuyer seminar, the bank approved three home mortgage loans for moderate-income borrowers.

**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**.

TBB utilizes print media to make the community aware of the credit products and services offered by the institution. The bank advertises its mortgage rates in the Jewish Press, a publication widely circulated within the bank's assessment area, particularly in the area where the Brooklyn branch is located. The bank advertises its certificates of deposit rates in the New York Post in an effort to attract customers from a variety of economic levels.

The bank also participates in a half-hour radio show on Thursdays from 12.30 p.m. to 1.00 p.m. on WTBQ, (Florida, New York) to promote home mortgages.

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

The board of directors is involved in the formulation of the bank's CRA policies and the bank's lending programs. The bank's CRA self-assessment is presented to the Board of Directors on an annual basis.

Management makes an effort to meet with clients and potential clients on an on-going basis. A substantial portion of the business activity of the bank is through referrals by the management and directors of the bank.

## VI. 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**.

None.

## CHARTS FOR REPORTING OF HMDA STATISTICS

| Residential Real Estate Loans - Year 2000 - by Borrower Income Level* | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Borrower** | **Total Lending** | | | | **Assessment Area Lending** | | | | **Aggregate**** | |
| **Income** | **Applics.** | | **Originations** | | **Applics.** | | **Originations** | | **Originations** | |
| **Level** | # | % | # | % | # | % | # | % | # | % |
| Low | 1 | 2.8 | 1 | 3.4 | 1 | 5.6 | 1 | 6.3 | 1,888 | 3.6 |
| Moderate | 4 | 11.1 | 3 | 10.3 | 1 | 5.6 | 1 | 6.3 | 5,282 | 10.1 |
| Middle | 1 | 2.8 | 1 | 3.4 | 0.0 | 0.0 | 0.0 | 0.0 | 10,978 | 21.1 |
| Upper | 21 | 58.3 | 18 | 62.1 | 14 | 77.8 | 13 | 81.3 | 27,341 | 52.5 |
| N/A | 9 | 25.0 | 6 | 20.7 | 2 | 11.1 | 1 | 6.3 | 6,572 | 12.6 |
| **Total** | **36** | **100.0** | **29** | **100.0** | **18** | **100.0** | **16** | **100.0** | **52,061** | **100.0** |

* 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.

| Residential Real Estate Loans - Year 2000 - by Geography Income Level* | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Geo** | **Total Lending** | | | | **Assessment Area Lending** | | | | **Aggregate** | |
| **Income** | **Applics.** | | **Originations** | | **Applics.** | | **Originations** | | **Originations** | |
| **Level** | # | % | # | % | # | % | # | % | # | % |
| Low | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4,121 | 7.9 |
| Moderate | 4 | 11.1 | 3 | 10.3 | 2 | 11.1 | 2 | 12.5 | 8,475 | 16.3 |
| Middle | 14 | 38.9 | 12 | 41.4 | 10 | 55.6 | 9 | 56.3 | 16,873 | 32.4 |
| Upper | 18 | 50.0 | 14 | 48.3 | 6 | 33.3 | 5 | 31.3 | 22,480 | 43.2 |
| N/A | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 112 | 0.2 |
| **Total** | **36** | **100.0** | **29** | **100.0** | **18** | **100.0** | **16** | **100.0** | **52,061** | **100.0** |

* 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%.

| Residential Real Estate Loans - Year 2001 - by Borrower Income Level* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Borrower** | **Total Lending** | | | | **Assessment Area Lending** | | | |
| **Income** | **Applics.** | | **Originations** | | **Applics.** | | **Originations** | |
| **Level** | **#** | **%** | **#** | **%** | **#** | **%** | **#** | **%** |
| Low | 13 | 3.0 | 10 | 3.1 | 11 | 3.0 | 9 | 3.2 |
| Moderate | 22 | 5.2 | 16 | 4.9 | 18 | 4.9 | 13 | 4.7 |
| Middle | 78 | 18.3 | 56 | 17.2 | 68 | 18.5 | 49 | 17.6 |
| Upper | 292 | 68.4 | 231 | 71.1 | 254 | 69.2 | 201 | 72.0 |
| N/A | 22 | 5.2 | 12 | 3.7 | 16 | 4.4 | 7 | 2.5 |
| **Total** | **427** | **100.0** | **325** | **100.0** | **367** | **100.0** | **279** | **100.0** |

* 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%.

| Residential Real Estate Loans - Year 2001 - by Geography Income Level* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Geo** | **Total Lending** | | | | **Assessment Area Lending** | | | |
| **Income** | **Applics.** | | **Originations** | | **Applics.** | | **Originations** | |
| **Level** | **#** | **%** | **#** | **%** | **#** | **%** | **#** | **%** |
| Low | 2 | 0.5 | 2 | 0.6 | 2 | 0.5 | 2 | 0.7 |
| Moderate | 6 | 1.4 | 4 | 1.2 | 5 | 1.4 | 3 | 1.1 |
| Middle | 207 | 48.5 | 159 | 48.9 | 184 | 50.1 | 141 | 50.5 |
| Upper | 203 | 47.5 | 154 | 47.4 | 176 | 48.0 | 133 | 47.7 |
| N/A | 9 | 2.1 | 6 | 1.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | **427** | **100.0** | **325** | **100.0** | **367** | **100.0** | **279** | **100.0** |

***** 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**