

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

One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

(OFF-SITE EVALUATION)

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

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

**Institution:** The Bank of Castile  
50 Main Street  
Castile, NY 14427

**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 off-site evaluation of the Community Reinvestment Act (“CRA”) performance of The Bank of Castile (“BOC”) 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

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

### Lending Test- "High Satisfactory"

- The BOC's lending levels reflect good responsiveness to assessment area's credit needs, based on the volume of Home Mortgage Disclosure Act ("HMDA")-reportable and small business loans originated within its assessment area.
- The bank made a reasonably high percentage of its HMDA-reportable and small business loans within the assessment area.
  - In 2000, BOC originated 74.8% of the number and 55.6% of the dollar volume of its HMDA reportable loans in the assessment area. The assessment area concentration based on the number of loans remained relatively unchanged in 2001, while the assessment area concentration based on dollar volume increased to 71.1%.
  - In 2000, the bank originated 62.9% of the number and 63.9% of the dollar volume of small business loans within the assessment area. In 2001, the assessment area concentration figures increased to 67.8% and 67.2%, respectively.
- The bank's geographic distribution of loans according to census tract income reflects adequate dispersion throughout the assessment area. While fairly weak in the year 2000, the bank's percentage of lending in low- to moderate-income ("LMI") areas was significantly improved in 2001.
  - In 2000, the bank originated 3.6% of the number and 4.1% of the dollar volume of HMDA-reportable loans in moderate-income geographies within the assessment area, well below 9.6% and 6.8%, respectively, for the aggregate. The bank's LMI area penetration rates improved in 2001, to 7.5% and 6.8%, respectively, reasonably close to 8.5% and 6.0%, respectively, for the aggregate.
  - In 2000, bank originated 5.8% of the number and 6.5% of the dollar volume of small business loans in moderate-income geographies within the assessment area, well below 9.6% and 9.1%, respectively, for the aggregate. In 2001, the bank's LMI penetration rates improved to 10.3% and 12.5%, respectively, slightly trailing 11.4% by number for the aggregate, but on par with 12.5% by dollar volume for the aggregate.
- BOC's distribution of HMDA-reportable and small business lending according to borrower characteristics reflects good penetration among individuals of different income levels and businesses of different sizes.

- In 2000, BOC made 31.4% of the number and 13.5% of the dollar volume of HMDA reportable loans to LMI borrowers within the assessment area, compared with 35.3% and 26.4%, respectively, for the aggregate. The bank's LMI penetration for the number of loans decreased in 2001 to 27.3%, while its LMI penetration based on dollar volume slightly increased to 14.1%. Both were still below 30.0% and 22.3%, respectively, for the aggregate.
- In 2000, the bank originated 79.4% of the number and 34.1% of the dollar volume of its small business loans in origination amounts of \$100 thousand or less. The bank's small loan percentage based on the number of loans compares unfavorably with aggregate ratio of 89.0%, while its percentage based on dollar volume exceeds the aggregate's figure of 29.6%, indicating that BOC's loans were generally in higher dollar amounts. The bank's ratios improved to 84.5% and 38.5%, respectively in 2001, but continued to trail the aggregate's small loan percentage of 89.0% by number and surpass its small loan percentage of 30.7% based on dollar volume.
- Additionally, the bank significantly outperformed the aggregate during the evaluation period, with respect to extending small business loans to small businesses having gross annual revenues of less than one million.
- BOC is a leader in making community development loans. During the evaluation period, community development commitments increased by 61.5% to \$4.2 million from \$2.6 million reported at the prior examination. All of the loans represented new money.
- The bank makes good use of innovative and/or flexible lending practices in serving assessment area credit needs, by offering flexible lending terms for individual consumers and businesses. Several of these programs are operated in conjunction with government agencies or local not-for-profit organizations.

### **Investment Test - "Outstanding"**

- The bank has an excellent level of qualified community development investments. The bank's total qualified investment increased 210.0% to \$3.1 million from \$1.0 million reported at the prior evaluation. All of the bank's qualified investments were new money.
- BOC's qualified investments consisted of mortgage-backed securities, a municipal bond, equity investments and a few grants.
- The bank occasionally uses innovative and/or complex investments to address the credit needs of its assessment area. While the grant level was minimal, the banks were satisfactorily responsive in nature to the needs of the community.

### **Service Test- “High Satisfactory”**

- BOC’s retail delivery systems and services show good responsiveness to the needs of the assessment area.
  - BOC’s retail delivery systems are accessible to all portions of its assessment area. The bank operates 13 full-service banking offices throughout the assessment area, of which two (15.4%) branches are located in moderate-income geographies and two (15.4%) other branches are located adjacent to moderate-income areas.
  - The bank’s record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies and/or LMI individuals.
  - BOC’s alternative delivery systems are accessible to essentially all portions of the bank’s assessment area.
  - The bank’s services do not vary in a way that inconveniences certain portions of the assessment area, particularly moderate-income geographies and/or LMI individuals.
- The bank provides a relatively high level of community development services. BOC periodically conducts seminars for customers 55 years and older and small businesses. A few officers and staff provided technical assistance to community development organizations within the assessment area.

This off-site Evaluation was 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:**

Chartered in 1869, BOC is a commercial bank headquartered in Castile, New York. Since January 2000, the bank has been a wholly owned subsidiary of Tompkins Trustco Inc. ("TMP"), but continues to operate as an independent entity. BOC was formerly owned by Letchworth Independent Bancshares Corporation, a one-bank holding company

The bank operates 13 branches, mostly in rural western New York State, including a main office. The network includes five branches in Wyoming County, four branches in Livingston County, two branches in Genesee County and one branch each in Monroe and Orleans Counties. Except for the Gainesville and Medina banking offices, each banking office has an automated teller machine ("ATM") that is accessible 24 hours a day. In addition, there are two offsite ATMs located within the assessment area, one of which is deposit-taking. The bank is a member of the NYCE, CIRRUS and PLUS networks.

As of December 31, 2001, the bank reported total assets of \$358 million, consisting primarily of net loans of \$273.5 million (76.4%) and securities of \$60.8 million (17.0%). The bank also reported total deposits of \$309.8 million, resulting in a loan-to-deposit ("LTD") ratio of 88.3%.

According to the latest available comparative deposit data dated June 30, 2001, the bank had a market share of 2.1% within the assessment area, ranking BOC 10<sup>th</sup> out of 18 deposit taking institutions (\$13.6 billion). In BOC's home county of Wyoming, which provided 44% of the bank's deposits, the bank ranked second among four depository institutions with market share of 26.9%.

The following table shows the bank's market share in each of the counties where it has a presence:

<b>Deposit market share as of June 30, 2001</b>					
<b>County name</b>	<b># of offices</b>	<b>Deposits \$000's</b>	<b>Market share</b>	<b>Ranking</b>	<b># of banks</b>
Genesee	2	55,423	4.7%	6	8
Livingston	4	76,447	13.4%	3	7
Monroe	1	28,541	0.3%	12	16
Orleans	1	2,978	1.0%	6	6
Wyoming	5	128,608	26.9%	2	4
<b>Total</b>		<b>291,997</b>			

The bank offers a wide variety of lending products including:

- 1-4 family residential mortgage loans;
- Home equity loans and lines of credit

- Consumer loans secured and unsecured
- Collateral mortgages
- Commercial loans
- Agricultural loans
- Tax-free municipal leasing
- Commercial/Agricultural Commercial Equipment Leasing
- Commercial mortgages loans.

BOC is an approved Small Business Administration (“SBA”) and Farm Service Agency (“FSA”) lender.

The following table illustrates the bank’s loan portfolio as of December 31, 2001 and 2000, based on the Consolidated Report of Condition:

<b>TOTAL GROSS LOANS OUTSTANDING</b>				
LOAN TYPE	12/31/2001		12/31/2000	
	\$000	%	\$000	%
1-4 Residential Mortgage Loans	74,938	27.1	64,836	26.2
Commercial Mortgage Loans	37,621	13.6	32,492	13.1
Multifamily Mortgages	9,477	3.4	7,173	2.9
Commercial & Industrial Loans	61,093	22.1	46,595	18.8
Agricultural Loans	38,807	14.0	44,411	18.0
Consumer Loans	43,461	15.7	42,420	17.2
Farmland Loans	1,892	0.7	2,906	1.2
Constructions Loans	9,584	3.5	6,450	2.6
<b>Total Gross Loans</b>	<b>276,873</b>	<b>100.0</b>	<b>247,283</b>	<b>100.0</b>

The bank’s gross loan portfolio was comprised primarily of 1-4 residential mortgage loans (27.1%), commercial and industrial loans (22.1%), commercial mortgages (13.6%), consumer loans (15.7%) and agricultural loans (14.0%).

Between evaluations, the bank’s portfolio increased by 48.7% to \$276.9 million, from \$186.2 million reported on March 31, 1999. During the same period, the bank’s total assets increased by 17.1% to \$358 million, from \$305.8 million reported on March 31, 1999.

This is the bank’s first performance evaluation as a large bank. The bank was awarded a rating of “2” by the New York State Banking Department at its prior evaluation conducted as of March 31, 1999, indicating a satisfactory record of helping to meet community credit needs.

**Assessment Area:**

BOC’s assessment area includes Wyoming, and Genesee counties in their entirety and portions of Allegany, Erie, Livingston, Monroe, Niagara and Orleans Counties. Erie and

Niagara counties are located in metropolitan statistical area (“MSA”) 1280 (Buffalo-Niagara Falls), Genesee, Livingston, Monroe and Orleans are in MSA 6840 (Rochester) and Allegany and Wyoming are in non-MSA area. The total area has 60 census tracts consists, of which nine (15.0%) are moderate-income, 45 (75%) are middle-income, five (8.3%) are upper-income and one (1.7%) is a zero income tract. The area has no low-income tracts.

According to the U.S. Census Bureau, in 1990, the bank’s assessment area had a population of 256 thousand, of which 30.8 thousand (12.0%)<sup>1</sup> were over the age of 65 and 58.4 thousand (22.8%) were under the age of 16.

In 1990, there were 66.4 thousand families in the assessment area, of which 11 thousand (16.5%) were low-income, 13.8 thousand (20.8%) were moderate-income, 18.1 thousand (27.3%) were middle-income and 23.5 thousand (35.4%) were upper-income. Of these 24.8 thousand LMI families, 4.1 thousand (16.5%) lived in moderate-income tracts, accounting for 56.9% of all families (7.2 thousand) that lived in moderate-income tracts. There were 87.8 thousand households in the assessment area, of which 6.2 thousand (7.1%) had incomes below the poverty level.

There were 93.1 thousand housing units in the assessment area, of which 79.6 thousand (85.5%) were 1 to 4 family units, 5.8 thousand (6.3%) were multifamily units and 6.2 thousand (6.7%) mobile homes. About 66.6 thousand (71.5%) were owner-occupied, of which 6.8 thousand (10.2%) were in moderate-income areas. A further 21.2 thousand (22.8%) were renter-occupied units, of which 4.0 thousand (18.9%) were in moderate-income areas. Almost 5.5 thousand (5.9%) of the housing units were vacant and/or boarded up. In 1990, the median housing value was \$69.2 thousand and the median age of the housing was 37 years.

According to a Dun and Bradstreet survey, in 2001, there were 11.1 thousand businesses in the assessment area, of which 9.6 thousand (86.7%) had revenues of \$1.0 million or less. A further 875 (7.9%) had revenues of more than \$1.0 million and 601 (5.4%) were businesses on which no revenues were reported. Almost 10.2 thousand (92.4%) businesses in the assessment area had fewer than 50 employees and 9.1 thousand (82.4%) operated from a single location.

Approximately 4.0 thousand (35.9%) firms were service providers, 2.1 thousand (18.6%) were in the retail trade, 1.2 thousand (10.7%) in agriculture, forestry and fishing, 1.1 thousand (10.2%) in construction, 682 (6.2%) in finance, insurance and real estate, 653 (5.9%) in manufacturing, 549 (5.0%) in transportation and communication, and 548 (5.0%) in the wholesale trade.

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<sup>1</sup> Please note that while percentage figures are based on exact numbers, absolute numbers pertaining to population and housing characteristics have been rounded to the nearest decimal point.

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

## PERFORMANCE TESTS AND ASSESSMENT FACTORS

This performance evaluation incorporates a review of the bank's lending, investment and service activities within the assessment area, during 2000 and 2001. Products considered include Home Mortgage Disclosure Act ("HMDA") reportable and small business loans. Statistics utilized in this evaluation were derived from various sources. In addition to bank-specific loan information, which was submitted by WSB, aggregate data for HMDA-reportable loans and small business loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc. CRA Wiz, an external vendor. Demographics are from the 1990 U.S. Census data, with 2001 estimated income figures provided by the United States Department of Housing and Urban Development ("HUD").

Comparisons for the bank's HMDA-reportable and small business are based upon the 2000 and 2001 aggregate data.

### **I. Lending Test: High Satisfactory**

*The bank's lending performance was evaluated pursuant to the following criteria: (1) Lending Activity; (2) Assessment Area Lending; (3) Geographic Distribution; (4) Borrower Characteristics; (5) Community Development Lending; and (6) Flexible Lending Practices.*

#### **Lending Activity: "High Satisfactory"**

BOC's HMDA-reportable and small business lending levels reflect good responsiveness to assessment area credit needs.

#### HMDA-reportable loans

The following table shows that the bank originated 166 HMDA loans totaling \$7.4 million within the assessment area in 2000. For 2001, the number of loans originated increased by 76.5% to 293 loans, while the dollar volume increased by 194.5% to \$21.9 million. The increases were primarily in refinancing loans, which soared by 360.9% and 541.7%, respectively.

The following table shows BOC's HMDA-reportable originations for the evaluation period:

<b>HMDA REPORTABLE LOANS</b>				
Loan Type	2000		2001	
	#	\$000's	#	\$000's
Home Purchase	75	5,233	85	8,297
Refinancing	23	1,336	106	8,573
Multifamily	1	160	4	543
Home Improvement	67	717	98	833
<b>Total</b>	<b>166</b>	<b>7,446</b>	<b>293</b>	<b>18,246</b>

### Small Business Loans

In 2000, the bank originated 428 small business loans totaling \$33.5 million within the assessment area. For 2001, the number of loans originated increased by 13.1% to 484 loans, while the dollar volume decreased by 13.6% to \$28.9 million.

#### **Proportion of Assessment Area Lending: “High Satisfactory”**

The bank made a reasonably high percentage of loans in its assessment area.

### HMDA reportable Loans

In 2000, BOC originated 222 HMDA-reportable loans totaling \$13.4 million, of which 166 loans, or 74.8%, were extended within the assessment area. Of the corresponding dollar amount, \$7.4 million or 55.6% were in the assessment area.

While the bank’s assessment area concentration based on the number of loans was relatively unchanged between the two years, its assessment area percentage based on the dollar amount of originations grew significantly. Specifically, in 2001, the bank originated 395 HMDA reportable loans totaling \$25.6 million, of which 293 or 74.2% were made within the assessment area. Of the corresponding dollar amount, \$18.2 million or 71.1% were originated in the assessment area.

### Small Business Loans

In 2000, the bank originated 681 small business totaling \$52.3 million, of which 428 (62.9%) loans totaling \$33.5 million (63.9%) were in the assessment area. In 2001, the bank originated 714 small business loans totaling \$43 million, of which 484 (67.8%) loans totaling \$28.9 million (67.2%) were in the assessment area.

#### **Geographic Distribution: “Low Satisfactory”**

The bank’s geographic distribution of HMDA-reportable and small business loans reflects adequate dispersion throughout the assessment area. While fairly weak in the year 2000, the bank’s LMI penetration rates were significantly improved in 2001.

### HMDA Loans

In 2000, the bank originated 3.6% of the number and 4.1% of the dollar volume of its HMDA reportable loans in moderate-income geographies within the assessment area, well below 9.6% and 6.8%, respectively, for the aggregate. In 2001, the bank’s penetration rates improved to 7.5% and 6.8%, respectively, comparable with 8.5% and 6%, respectively, for the aggregate.

The following table shows a distribution of HMDA reportable loans by geography of income

level during the evaluation period:

Distribution of HMDA Reportable Loans By Geography Income Level								
2000								
Geography	Bank				Aggregate			
	#	#%	\$000's	\$%	#	#%	\$000's	\$%
Low	0	0.0	-	0.0	-	0.0	-	0.0
Moderate	6	3.6	302	4.1	505	9.6	21,833	6.8
Middle	157	94.6	7,109	95.5	4,125	78.2	247,262	77.4
Upper	3	1.8	35	0.5	645	12.2	50,387	15.8
N/A	0	0.0	-	0.0	2	0.0	73	0.0
<b>Total</b>	<b>166</b>	<b>100.0</b>	<b>7,446</b>	<b>100.0</b>	<b>5,277</b>	<b>100.0</b>	<b>319,555</b>	<b>100.0</b>
2001								
Geography	Bank				Aggregate			
	#	#%	\$000's	\$%	#	#%	\$000's	\$%
Low	0	0.0	-	0.0	-	0.0	-	0.0
Moderate	22	7.5	1,234	6.8	631	8.5	32,356	6.0
Middle	259	88.4	15,568	85.3	5,783	77.5	412,284	76.7
Upper	12	4.1	1,444	7.9	1,050	14.1	93,154	17.3
N/A	0	0.0	-	0.0	1	0.0	75	0.0
<b>Total</b>	<b>293</b>	<b>100.0</b>	<b>18,246</b>	<b>100.0</b>	<b>7,465</b>	<b>100.0</b>	<b>537,869</b>	<b>100.0</b>

As noted above, approximately 15.0% of census tracts, comprising 10.2% of owner-occupied units in the bank's assessment area are considered moderate-income tracts.

### Small Business Loans

In 2000, bank originated 5.8% of the number and 6.5% of the dollar volume of small business loans in moderate-income geographies within the assessment area, well below 9.6% and 9.1%, respectively, for the aggregate. In 2001, the bank's LMI penetration rates improved to 10.3% and 12.5%, respectively, slightly trailing the aggregate's penetration rate of 11.4% by number, but matching its 12.5% penetration rate by dollar volume.

The following table shows a distribution of the bank's small business loans according to census tract income level during the evaluation period:

Distribution of Small Business Loans By Geography Income Level								
2000								
Geography	Bank				Aggregate			
	#	#%	\$000's	\$%	#	#%	\$000's	\$%
Low	0	0.0	-	0.0	-	0.0	-	0.0
Moderate	25	5.8	2,172	6.5	429	9.6	21,179	9.1
Middle	387	90.4	29,818	89.1	3,354	75.4	175,118	75.0
Upper	16	3.7	1,470	4.4	488	11.0	29,076	12.4
N/A	0	0.0	-	0.0	175	3.9	8,227	3.5
<b>Total</b>	<b>428</b>	<b>100.0</b>	<b>33,460</b>	<b>100.0</b>	<b>4,446</b>	<b>100.0</b>	<b>233,600</b>	<b>100.0</b>
2001								
Geography	Bank				Aggregate			
	#	#%	\$000's	\$%	#	#%	\$000's	\$%
Low	0	0.0	-	0.0	-	0.0	-	0.0
Moderate	50	10.3	3,614	12.5	647	11.4	35,990	12.5
Middle	424	87.6	24,256	83.9	4,447	78.2	223,291	77.6
Upper	10	2.1	1,045	3.6	583	10.2	27,344	9.5
N/A	0	0.0	-	0.0	12	0.2	1,021	0.4
<b>Total</b>	<b>484</b>	<b>100.0</b>	<b>28,915</b>	<b>100.0</b>	<b>5,689</b>	<b>100.0</b>	<b>287,646</b>	<b>100.0</b>

### Borrower Characteristics: "High Satisfactory"

BOC's distribution of HMDA-reportable and small business loans according to borrower's profile reflects good penetration among individuals of different income levels and businesses of different sizes.

### HMDA reportable loans

In 2000, BOC originated 31.4% of the number and 13.5% of the dollar volume of its HMDA-reportable loans to LMI borrowers within the assessment area, compared with 35.3% and 26.4%, respectively, for the aggregate. In 2001, the bank's LMI penetration rate based on loan number decreased to 27.3% while it LMI penetration rate based on dollar volume increased slightly to 14.1%. Both remained below 30.0% and 22.3%, respectively, for the aggregate. Refer to the table below for details.

The following table shows a distribution of BOC's HMDA reportable loans by borrower income level:

<b>Distribution of HMDA Reportable Loans By Borrower Income Level</b>								
2000								
<b>Borrower Income</b>	<b>Bank</b>				<b>Aggregate</b>			
	<b>#</b>	<b>#%</b>	<b>\$000's</b>	<b>\$%</b>	<b>#</b>	<b>#%</b>	<b>\$000's</b>	<b>\$%</b>
Low	23	13.9	283	3.8	561	10.6	19,419	6.1
Moderate	29	17.5	723	9.7	1,305	24.7	64,841	20.3
Middle	46	27.7	1,760	23.6	1,648	31.2	98,753	30.9
Upper	61	36.7	4,267	57.3	1,599	30.3	119,298	37.3
N/A	7	4.2	413	5.5	164	3.1	17,244	5.4
<b>Total</b>	<b>166</b>	<b>100.0</b>	<b>7,446</b>	<b>100.0</b>	<b>5,277</b>	<b>100.0</b>	<b>319,555</b>	<b>100.0</b>
2001								
<b>Geography</b>	<b>Bank</b>				<b>Aggregate</b>			
	<b>#</b>	<b>#%</b>	<b>\$000's</b>	<b>\$%</b>	<b>#</b>	<b>#%</b>	<b>\$000's</b>	<b>\$%</b>
Low	22	7.5	371	2.0	521	7.0	21,285	4.0
Moderate	58	19.8	2,202	12.1	1,715	23.0	98,252	18.3
Middle	68	23.2	3,443	18.9	2,292	30.7	160,245	29.8
Upper	129	44.0	11,006	60.3	2,627	35.2	228,294	42.4
N/A	16	5.5	1,224	6.7	310	4.2	29,793	5.5
<b>Total</b>	<b>293</b>	<b>100.0</b>	<b>18,246</b>	<b>100.0</b>	<b>7,465</b>	<b>100.0</b>	<b>537,869</b>	<b>100.0</b>

As noted in the Performance Context, 37.3% of families in the bank's assessment area were LMI.

#### Small Business and Farm Loans

The following table shows that in 2000 the bank originated 79.4% of the number and 34.1% of the dollar volume of its small business loans in origination amounts of \$100 thousand or less. The bank's number ratio compares unfavorably with aggregate ratio of 89.0% while its dollar volume ratio was higher than the aggregate ratio of 29.6%, indicating that BOC's loans were generally in higher dollar amounts. In 2001, the bank's ratios improved to 84.5% and 38.5%, respectively. While still trailing the aggregate's number ratio, which remained unchanged at 89.0%, the bank's dollar volume ratio continued to surpass the aggregate ratio of 30.7%.

Distribution of Small Business Loans By Loan Size								
Loan Size	2000							
(\$000's)	Bank				Aggregate			
	#	#%	\$000's	\$%	#	#%	\$000's	\$%
<=\$100	340	79.4%	11,421	34.1%	3,959	89.0%	69,082	29.6%
> \$100 <=\$250	62	14.5%	9,933	29.7%	274	6.2%	48,732	20.9%
> \$250<=\$1,000	26	6.1%	12,106	36.2%	213	4.8%	115,786	49.6%
<b>Total</b>	<b>428</b>	<b>100.0%</b>	<b>33,460</b>	<b>100.0%</b>	<b>4,446</b>	<b>100.0%</b>	<b>233,600</b>	<b>100.0%</b>

  

Loan Size	2000							
(\$000's)	Bank				Aggregate			
	#	#%	\$	\$%	#	#%	\$	\$%
<=\$100	409	84.5%	11,170	38.6%	5,063	89.0%	88,435	30.7%
> \$100 <=\$250	49	10.1%	7,522	26.0%	351	6.2%	61,798	21.5%
> \$250<=\$1,000	26	5.4%	10,223	35.4%	275	4.8%	137,413	47.8%
<b>Total</b>	<b>484</b>	<b>100.0%</b>	<b>28,915</b>	<b>100.0%</b>	<b>5,689</b>	<b>100.0%</b>	<b>287,646</b>	<b>100.0%</b>

The following table shows that the bank significantly outperformed the aggregate during the evaluation period, with respect to extending small business loans to small businesses having gross annual revenues of less than one million.

Distribution of Small Business Loans By Revenue Size								
Revenue Size	2000							
	Bank				Aggregate			
	#	#%	\$000's	\$%	#	#%	\$000's	\$%
=<\$1million	376	87.9%	22,357	66.8%	2,158	48.5%	89,976	38.5%
>\$1million	52	12.1%	11,103	33.2%	2,288	51.5%	143,624	61.5%
<b>Total</b>	<b>428</b>	<b>100.0%</b>	<b>33,460</b>	<b>100.0%</b>	<b>4,446</b>	<b>100.0%</b>	<b>233,600</b>	<b>100.0%</b>

  

Revenue Size	2001							
	#	#%	\$000's	\$%	#	#%	\$000's	\$%
	=<\$1million	431	89.0%	20,671	71.5%	3,103	54.5%	128,550
>\$1million	53	11.0%	8,244	28.5%	2,586	45.5%	159,096	55.3%
<b>Total</b>	<b>484</b>	<b>100.0%</b>	<b>28,915</b>	<b>100.0%</b>	<b>5,689</b>	<b>100.0%</b>	<b>287,646</b>	<b>100.0%</b>

As noted in the Performance Context above, in 2001 approximately 86.7% of businesses in the bank's assessment area had revenues of \$1 million or less.

### Community Development Loans: "Outstanding"

BOC is a leader in making community development loans. During the evaluation period, community development commitments increased by 61.5% to \$4.2 million, from \$2.6 million reported at the prior examination. As noted above, during the same period, assets increased by only 17.1%. All of the loans reported for this evaluation represented new money. Approximately \$2.4 million or 57.1% supported economic development and \$1.8 million or 42.9% supported affordable housing opportunities.

The following are notable community development loans extended by the bank within its

assessment area during the evaluation period.

*Private Developer* - The bank extended four revolving lines of credit totaling \$1.45 million to a development company for construction of manufactured housing for LMI senior citizens. The project is known as Lakeville Estates and is located in Geneseo, New York

*Agriculture Business* - In December 1999, the bank extended a \$2.4 million loan to an agriculture business, to fund construction of a packinghouse and cold storage facility, purchase of equipment and debt refinancing. The funds will allow economic expansion of a business that employs nearby residents of moderate-income tract adjacent to the business. The loan is 80% secured by United States Department of Agriculture – Rural Business-Cooperative Service (“RBS”). The government guarantee will cover 80% of principal, accrued interest and approved protective advances.

*Real Estate Holding Company* - In November 2001, the bank originated a \$246.6 thousand loan to a real estate holding company, to purchase nine apartments located on Lewis Place. Eight of the nine apartments are for Section 8 housing recipients. The company’s primary objective is to raise the value of the property in the State St. and Lewis Place area as a sound financial investment and make the place a safe place to live.

*Genesee Valley Rural Preservation Council (“GVRPC”)* - In October 2001, the bank originated a \$125 thousand revolving credit to GVRPC. GVRPC is a non-profit organization that provides affordable housing to LMI individuals in Wyoming, Livingston and Genesee Counties. It was organized to plan, construct, operate, maintain, improve, preserve, repair and upgrade housing and related facilities and services to LMI individuals in the area.

*New York State Business Development Corporation (“NYSBDC”)* – As of the evaluation date, the bank had a loan with an outstanding balance of \$6.7 thousand to NYSBDC. NYSBDC is a privately owned and managed public benefit corporation established in 1955 by the New York State Legislature. The corporation is comprised of a consortium of 130 banks organized to encourage and assist existing and new industry in New York State, including the bank’s assessment areas. The corporation works in conjunction with various state agencies such as Urban Development Corporation, Job Development Authority and Department of Economic Development. NYSBDC provides direct financing to eligible businesses with lower down payment requirements and longer terms than conventional commercial financing.

### **Innovative and Flexible Lending Practices – “High Satisfactory”**

The bank makes good use of innovative and/or flexible lending practices in serving assessment area credit needs through programs that offer flexible lending terms to individual borrowers, businesses, and farms. The bank uses three affordable housing programs, in conjunction with government loan programs to help LMI borrowers purchase homes. Other programs offered by the bank are designed for first time homebuyers and

small businesses.

### *1. Residential Programs*

Federal Home Loan Bank's ("FHLB") First Home Club - The bank is an approved member of FHLB's First Home Club. Designed to help low- and very low-income families, this matching funds savings program provides first time homebuyers the opportunity to purchase their own home through down payment and closing cost assistance of up to \$5 thousand.

BOC provides a \$400.00 grant to successful mortgage applicants to help pay for counseling services associated with the program. For the review period, the bank made 15 grants totaling \$6.0 thousand and originated 15 loans totaling \$272.9 thousand under this program.

Community One Mortgage Program – The bank began offering this program in April 2001 at the recommendation of local community groups. This product offers flexible underwriting guidelines, including higher debt qualifying ratio (41%), below market interest rates, 30 year term, no private mortgage insurance, reduced closing cost and 97% loan-to-value.

As of December 31, 2001, the bank had not originated any loans under this program.

*In February 2002, after the completion of this evaluation, the bank enhanced this product by reducing the down payment from 3% to zero percent, provided that the applicant applies \$1,000 of his or her own money to be used in the transaction.*

### *2. Commercial Programs*

Small Business Administration ("SBA") loans - The bank is an approved SBA lender. SBA guarantees range from 80% to 90% of the loan amount. SBA loan underwriting standards are more favorable to small businesses than traditional bank underwriting standards. The SBA requires only a 10% down payment whereas traditional bank financing usually requires a 20% down payment. Since the prior evaluation, the bank originated 15 SBA loans totaling \$2 million. As of December 31, 2001, the bank had an outstanding balance of \$5.6 million under this program.

Farmers Service Agency ("FSA") loans - The bank originates agricultural loans and obtains guarantees on loans that would not meet traditional bank underwriting standards. The FSA underwriting standards are more favorable and usually result in extended payment terms that help the farm's cash flow. Since the prior evaluation, the bank originated 16 farm loans totaling \$3 million under this program. As of December 31, 2001, the bank's FSA loans had an outstanding balance of \$5.9 million.

Rural Opportunities, Inc.'s ("ROI") Small Business Loan Program - ROI is a non-profit entity that provides loan programs that promote affordable housing and economic development through small business financing. The bank participates in two of ROI's small business programs that provide financing for start-up, young, businesses that would have difficulty qualifying for traditional bank financing. These two programs are detailed below:

- *The SBA Micro-lending Program*- Provides loans up to \$25 thousand to emerging and start-up businesses for equipment and working capital. The program covers an 18-county area of New York State including the bank's assessment area. The bank refers start-up or young businesses to the program that would not qualify for traditional bank financing due to lack of credit rating, initial capital requirements, projection based cash flows, etc.
- *Intermediary Re-lending Program ("IRP")*- provides loans to small businesses for real estate, equipment and working capital. The business have to be manufacturing, wholesale, retail and/or services related, and the maximum loan amount is \$250 thousand or 65% of the project whichever is less. The program is for businesses that are not able to qualify using traditional bank underwriting criteria. ROI's underwriting criteria allow for more flexibility in the collateral and equity requirements. The program serves a 32-county area of New York State, including the bank's assessment area. The bank can either refer customers to this program or originate through this program.

Excelsior Linked Deposit Program - The bank participates in this New York State program, which helps businesses make investments and undertake projects that will help to improve their performance and competitiveness while providing affordable capital. Under this program, New York State deposits funds in a participating bank and receives a below market interest rate, thereby enabling the bank, in turn, to lend to businesses at reduced rates. As of December 31, 2001, the bank had four loans totaling \$1.2 million under this program, with the entire amount outstanding.

Business Manager Program - In May 2000, the bank began offering this program, an account receivables financing service for small businesses. The bank will purchase account receivables at a discount and with full recourse from a business, thereby assuming the billing, monthly statement processing, and collection of all accounts. Small businesses must meet the size eligibility standards of the SBA's Small Business Investment Company Program. Since the prior evaluation, 13 businesses have utilized this service with a total credit limit of \$1.8 million and with an outstanding balance \$1.2 million. The total outstanding balance of the program as of December 31, 2001 was \$4.9 million.

New York Energy Smart Loan Fund - The bank has recently become a participant in this state program, which is designed to improved energy efficiency for businesses and homeowners. Under this program, New York State deposits funds in a bank and receives a below market interest rate. In exchange, the bank lends funds to businesses and homeowners at a below market interest rate. The loans are for energy saving

improvements and can range between \$5 thousand and \$100 thousand. These loans provide an affordable means for businesses and consumers to become more energy efficient and save money. Since the previous evaluation, the bank originated 115 loans for \$878 thousand under this program.

United States Department of Agriculture (“USDA”) - The bank originates loans under USDA’s Business and Industry Guaranteed Loan program, which has the primary purpose of creating and retaining jobs and improving the economic climate in rural communities. This program provides guarantees up to 90% of a loan, and can be used for working capital, machinery, equipment, buildings, and real estate. Since the prior evaluation, the bank has originated seven loans totaling \$6.2 million under this program.

### 3. *Consumer Loan Programs*

BOC offers the C.A.R.E. (Car and Re-employment Empowerment) program in conjunction with the Social Services of Genesee County (“SSGC”), to provide automobile loans to individuals that are transitioning from dependence on social services to employment in the private sector. The program started in March 1999 and has a maximum loan amount of \$3 thousand. SSGC has responsibility for selecting the individuals for the program. The consumer can obtain an affordable interest rate and an opportunity to establish credit history. Since the prior evaluation, the bank has originated seven loans totaling \$21.4 thousand.

## II. Investment Test: “Outstanding”

The bank has an excellent level of qualified community development investments. The bank’s total qualified investments increased by 210.0% to \$3.1million, from \$1.0 million reported at the prior evaluation. All of the bank’s qualified investments were new money. BOC’s qualified investments consisted of mortgage-backed securities, a municipal bond, equity investments and a minimal level of non-recoverable grants. About \$1.7 million (54.8%) of the bank’s qualified investments supported economic development and \$1.3 million (41.9%) supported affordable housing opportunities.

The following is a brief description of the bank’s qualified investments:

*Cephas Capital Partners, LTD (“CCP”)* - BOC invested \$1.0 million (10.0% investment) in CCP, a Small Business Investment Corporation (“SBIC”), formed in July 1997 and licensed in 1998 by the SBA under the Small Business Investment Act of 1958. The partnership provides capital to companies, primarily in western and central New York. Since the prior evaluation, the SBIC has originated various loans, with the bank’s pro-rata share totaling \$1.7 million.

*Federal Home Loan Mortgage Corp. (“FHLMC”)* - The bank purchased mortgage-backed securities totaling \$1.3 million with 17 underlying properties. All are in LMI areas and a

majority of the properties are in the bank's assessment area.

*Village of Medina* - In 2001, the bank purchased a \$125 thousand Village of Medina bond anticipation note for water system improvement. The Village of Medina is located in a moderate-income census tract.

*Federal Home Loan Bank of New York's ("FHLBNY") Affordable Housing Program* - In 2000, the bank contributed \$11.1 thousand to the FHLBNY Affordable Housing Program. The contribution represents the bank's pro-rata share of FHLBNY's earnings for the year set aside for the program.

The bank made four qualifying non-recoverable grants totaling \$1.7 thousand to three community development organizations within the assessment area during the evaluation period.

*In-kind Contribution* - The Genesee office of the bank lets the "Good Neighbor" committee of Genesee Rotary use its facility twice a month for meetings. The committee's focus is to improve the quality of life for children in low-income housing developments in Genesee by providing after school and vacation activities, mentoring, and camp scholarships.

The bank occasionally uses innovative and/or complex investments to address the credit needs of its assessment area. Moreover, notwithstanding the minimal level of grants, the bank's activities are responsive in nature to the investment needs of the community.

### **III. Service Test: "High Satisfactory"**

*The service test evaluates a banking institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of a banking institution's systems for delivering both retail banking and community development services.*

#### **Retail Banking Services: "High Satisfactory"**

USB's retail delivery systems and services show good responsiveness to the needs of the assessment area.

#### Accessibility of Delivery Systems

BOC's delivery systems are accessible to all portions of its assessment area. The bank operates 13 full-service banking offices, of which two (15.4%) branches are located in moderate-income geographies and two (15.4%) other branches are located adjacent to moderate-income areas.

### Changes in Branch Locations

BOC's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies and/or LMI individuals. The bank has opened two banking offices since the prior evaluation. In July 1999, the bank opened the Chili banking office and in October 2000, the Medina banking office. The Chili office is located adjacent to a moderate-income area while the Medina office located in a moderate-income area.

The bank has not closed any branches since the prior evaluation.

### Alternative Delivery Systems

The bank's alternative delivery systems are accessible to essentially all portions of the bank's assessment area. With the exception of the Gainesville and Medina banking offices, each banking office has an ATM that is accessible 24 hours a day. In addition, there are two offsite ATMs located within the assessment area, one of which is deposit taking.

The bank offers Online banking which provides customers with information and convenient Internet access to their bank accounts 24 hours a day, 7 days a week. Other services offered by the bank, include bank by mail and phone.

### Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Services do not vary in a way that inconveniences certain portions of the assessment area, particularly moderate-income geographies and/or LMI individuals.

The bank offers extended evening hours in all branches on Thursdays and Fridays. Saturday hours are offered at eight branches both in the lobby and drive-ups. In addition, one branch has drive-up hours on Saturdays.

### **Community Development Services: "High Satisfactory"**

The bank provides a relatively high level of community development services. BOC's community development services for the evaluation period including the following:

- The bank periodically conducts seminars on various topics for customers who are 55 years and older. The seminars address topics of interest to seniors, such as long-term health care, identity theft and trust investment.
- The bank conducts annual small business seminars to promote economic development within the assessment area. The bank representative discusses small business financing programs available at the bank, and the financial application process and requirements. The bank also conducts E-Commerce for small businesses.

- The bank is a long-time advocate of financial literacy. At least six bank employees made presentations that run for 4-6 weeks a year at area schools. In addition, the bank has agreed to provide matched savings for youth participating in Community Action for Wyoming County's ("CAWC") Youth Development Accounts, which target persons below the poverty level.

Bank management and staff also provide technical assistance to organizations and programs that provide community services, affordable housing to LMI persons and promote economic development opportunities for small businesses and farms within the assessment area:

- The bank's marketing director is the president of CAWC, a non-profit organization that promotes affordable housing.
- The CRA Officer is a board member of the GVRPC and Habitat for Humanity. In addition, six other employees of the bank serve these two non-profit organizations that have been established to improve housing within Livingston and Wyoming counties, especially affordable housing for LMI families through the building and financing of new single family homes and apartment complexes, and through the acquisition and rehabilitation of existing housing stock.
- The bank's president served on an SBA advisory board and serves on the regional loan committee for the NYSBDC
- Several bank employees participate with various chapters of the United Way, a non-profit organization that provides financial support to a multitude of community organizations. These organizations in turn provide numerous community development services to LMI individuals. United Way also aids in the stabilization and revitalization of LMI individuals.
- A bank employee is the treasurer of the Salvation Army Churchville chapter. The chapter provides food and vouchers to needy families in this area.
- An employee served as a teacher for Business Education Alliance For Livingston County Jail.

#### **IV. 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 were intended to discourage applications for the types of credit offered by the institution.

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

No evidence of prohibited discriminatory or other illegal credit practices were noted during the review period.

The most recent regulatory compliance report dated December 3, 2002 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 its assessment area through contacts with local community development organizations such as GVRPC, CAWC, Rural Opportunities of Genesee and Monroe Counties and Housing Opportunities, Inc. In addition, the bank uses an informational booth at the annual Wyoming County Fair, in order to have closer contact with a broad cross-section of community members. The bank uses the booth to provide information about the credit services offered.

The bank has an officer call program that is used to discuss and document the needs and concerns of small businesses and farms.

### **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.**

BOC uses Pennysavers, local publications and radio stations and cable TV to market its credit services. Additionally, the bank sponsors luncheon seminars for commercial, agricultural and senior citizen groups to discuss relevant topics and as a means of familiarizing these groups with the bank's services and products. The bank also relies on word-of-mouth to advertise its services.

### **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.**

The bank has a directors' CRA committee, whose membership consists of three board members, the bank's CEO, senior commercial lenders, mortgage origination manager,

retail Loan originations manager, marketing director and CRA officer. The committee meets quarterly to discuss the institution's policies and performance with respect to the purposes of the CRA.

**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 noted.

## 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 nonmetropolitan 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 nonmetropolitan 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 nonmetropolitan 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.