



**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: Bank of Millbrook
PO Box AF, 3263 Franklin Avenue
Millbrook, NY 12545

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 Bank of Millbrook (“BOM” or the “bank”) 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

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

- *Loan-to-Deposit ("LTD") Ratio:* The bank's average LTD ratio is considered reasonable given the bank's size, financial condition and assessment area's credit needs. Based on the Uniform Bank Performance Reports ("UBPR"), the bank's average LTD ratio during the prior 11 quarters ending December 31, 2001 was 59.6%, significantly below the 74.3% average for its national peer group. However, the LTD ratio exhibited an upward trend over the course of the assessment period.
- *Assessment Area Lending:* A substantial majority of BOM's loans were made in the assessment area. In 2000, the bank originated 81.3% by number and 84.5% by dollar volume of its HMDA-reportable loans within the assessment area. In 2001, the ratios improved to 90.3% and 94.9%, respectively.

In 2000, the bank originated 67.1% of the number and 67.8% of the dollar volume of sampled consumer loans within the assessment area. In 2001, the ratios increased to 76.5% and 73.7%, respectively.

In 2000, BOM made 80.0% of the number and 79.8% of the dollar volume of sampled small business loans within the assessment area. In 2001, the ratios declined to 74.4% and 75.5%, respectively.

- *Geographic Distribution of Lending:* BOM's geographic distribution of loans reflects a reasonable dispersion throughout the assessment area, but indicates weaker performance in the second year of the evaluation period. In 2000, the bank's low- and moderate-income ("LMI") penetration ratios for HMDA-reportable loans were 7.7% by number and 13.0% by dollar volume, exceeding the corresponding aggregate ratios of 6.8% and 5.6%, respectively. During 2001, the bank's number and dollar volume ratios were both 7.1%.

The bank extended 14.3% of the number and 11.8% of the dollar volume of consumer loans in LMI areas within the assessment area in 2000. In 2001, the bank's ratios declined to 8.1% and 8.5%, respectively.

In 2000, the bank extended 20.8% of the number and 47.6% of the dollar volume of small business loans in LMI areas within the assessment area. In 2001, the bank's ratios declined to 13.8% and 13.1%, respectively.

- *Borrower Distribution of Lending:* The bank's distribution of lending reflects reasonable penetration among individuals of different income levels and businesses of different sizes. Though showing improved performance in the second year of the evaluation

period, overall results among the three product areas varied significantly.

In 2000, the bank made 3.8% by number and 2.5% by dollar volume of its HMDA-reportable loans to LMI borrowers, significantly below the aggregate's ratios of 17.4% and 9.0%, respectively. During 2001, the bank's ratios increased to 7.1% and 4.9%, respectively, but were still considered poor.

In 2000 and 2001, the bank extended 51.0% and 58.1%, respectively, of the number of consumer loans to LMI borrowers within the assessment area, showing excellent LMI penetration.

In 2000 and 2001, the bank extended 45.8% and 62.1%, respectively, of the number of small business loans to businesses with gross annual revenue of \$1 million or less. In addition, in 2000 and 2001, the bank originated 95.8% and 86.2%, respectively, of the number of small business loans in amounts of \$100 thousand or less.

- Neither the bank nor the New York State Banking Department received any written complaints about CRA performance since the prior evaluation dated March 31, 1999.

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:

Bank of Millbrook, a state chartered commercial bank founded in 1891, is located in the Village of Millbrook, Town of Washington in Dutchess County (Hudson Valley Region). The bank is the sole subsidiary of Millbrook Bank Systems Inc., a banking and financial services corporation organized in April of 1998. The bank reported total assets of \$111.2 million as of December 31, 2001. BOM operates a single banking office in the Village of Millbrook. Supplementing the banking office is a drive-up window service, two on-site full service ATMs linked to the NYCE network and two cash dispensers located within the bank's assessment area.

For the year ended December 31, 2001, the bank reported net loans of \$59.7 million and total deposits of \$94.1 resulting in a Loan-to-Deposit ratio of 63.4%. This percentage is significantly below its nationwide peer group average of 77.5%.

Bank of Millbrook's home county provided 100% of the bank's deposits according to the latest available comparative deposit data, dated June 30, 2001. The bank ranked 9th out of 16 depository institutions in the county, with a 3.0% (\$88.5 million) market share of the county's total deposits (\$389.5 billion).

The institution offers a wide variety of lending products including the following:

- 1-4 Family Residential Mortgages
- Commercial Mortgage Loans
- Commercial and Industrial Loans
- Small Business Loans
- Farm Loans
- Home Equity Lines of Credit
- Home Improvement Loans
- Overdraft Lines of Credit
- Consumer Installment Loans
- Auto Loans
- Education Loans
- Credit Cards

Bank of Millbrook does not participate in any governmentally insured, guaranteed or subsidized loan programs for housing, small business or small farms.

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

TOTAL GROSS LOANS OUTSTANDING				
LOAN TYPE	12/31/2000		12/31/2001	
	\$000	%	\$000	%
Residential Mortgage Loans	26,259	45.0	30,242	48.5
Commercial Mortgage Loans	11,721	20.1	12,954	20.8
Commercial & Industrial Loans	8,390	14.4	7,559	12.1
Construction Loans	-	-	989	1.6
Consumer Loans	11,626	19.9	10,282	16.5
Agricultural Loans	269	0.5	368	0.6
Other Loans	121	0.2	10	0.0
Total Gross Loans	58,386	100.0	62,404	100.0

The bank is primarily a residential mortgage lender. As of December 31, 2001, BOM reported 48.5% of its loan portfolio in residential mortgage loans, 20.8% in commercial mortgages, 16.5% in consumer loans and 12.1% in commercial & industrial loans. The composition of the bank's portfolio was relatively unchanged during the two-year assessment period.

The bank received a rating of "2" on its most recent Performance Evaluation by the New York State Banking Department as of March 31, 1999, reflecting satisfactory performance in helping to meet the credit needs of its assessment area.

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

Assessment Area:

Bank of Millbrook's assessment area consist of the following Dutchess County townships: Washington (where its office is located), Stanford, Clinton, Pleasant Valley, Union Vale, Dover, Amenia and the eastern half of LaGrange. This area consists of 12 census tracts, of which two (16.7%) are moderate-income, nine (75.0%) middle-income and one (8.3%) zero-income. However, two of the three 3 LMI and zero income census tracts are not considered to provide lending opportunities for the bank. One of the moderate-income census tracts (CT 6500) is the Wassaic State Park and Development Center and the zero-income tract (CT 6200) is the New York State Division for Youth Correctional facility. Dutchess County encompasses the entire Metropolitan Statistical Area (MSA) 2281. The area has no low- and upper-income areas.

According to the U.S. Census Bureau, the assessment area had a population of 39,817 in 1990, of which 4,785 (12.0%) were over the age of 65 years and 8,662 (21.8%) were under 16 years old. Dutchess County had a population of 259,462 in 1990, which

increased by 8.0% to 280,150 in 2000. The MSA median family income in 1990 was \$49,305. The updated MSA median family income for 2002 was \$68,100.

There were 10,367 families in the assessment area, of which 16.6% (1,723) were low-income families, 20.5% (2,127) moderate-income, 30.0% (3,109) middle-income and 32.9% (3,408) upper-income families. Of the 3,850 total LMI families, 18.1% (695) lived in moderate-income tracts and the rest lived in middle-income tracts. There were 13,905 households in the assessment area, of which 4.6% (642) had income below the poverty level.

The assessment area had a total of 15,725 housing units, of which 81.1% (12,748) were 1-4 family units, 10.3% (1,614) mobile homes or trailers and 7.1% (1,120) multifamily units. The owner-occupied units accounted for 64.4% (10,125) of all housing units and rental occupied units accounted for 22.6% (3,553). About 13.1% (2,064) of all housing units were vacant and/or boarded up. The median value of housing was \$150,832 and the median age of housing was 26 years.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest source of earnings in 2000 in the county were services 28.7%, durable goods manufacturing 24.7% and state and local government 16.4%. In 1990, the major sources of earnings were durable goods manufacturing 34.3%, services 19.7% and state and local government 16.6%.

According to the New York Department of Labor, Dutchess County's average unemployment rates were 3.0% in 2000 and 3.2% in 2001. The county's average unemployment rates were significantly below the New York State's average rate of 4.6% in 2000 and 4.9% in 2001.

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

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

BOM'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 by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA.

Statistics utilized in this evaluation were derived from various sources. In addition to loan information submitted by the bank, aggregate data for HMDA-reportable loans was obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc. CRA Wiz©, an external vendor. Demographic data, along with the 2000 HUD-estimated median family income, are from the 1990 U.S. Census data.

As noted above, BOM's primary business is the origination of residential mortgage loans. In addition to HMDA-reportable loans, small business and consumer loans were also analyzed for purposes of this evaluation.

It is noted that as a small bank, BOM is not required to collect government monitoring information in connection with its business loans. Accordingly, the analyses of factors (2), (3) and (4) noted above with respect to the bank's small business loans are based on a sample of 69 small business loans originated during 2000 and 2001. The consumer lending analysis was based on a sample of 154 loans made during the same period.

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

BOM's average loan-to-deposit ("LTD") ratio is considered reasonable given the bank's size, financial condition and assessment area's credit needs. Based on the Uniform Bank Performance Reports ("UBPR"), the bank's average LTD ratio during the prior 11 quarters ending December 31, 2001 was 59.6%, significantly below the 74.3% average for its national peer group. The trend, however, is favorable. The bank's LTD ratio improved from 54.1% in the first quarter of 2000 to 63.4% in the last quarter of 2001.

- **Proportion of Lending Within Assessment Area** - "Outstanding"

A substantial majority of the bank's loans were made in the assessment area.

HMDA Loans

A substantial majority of the bank's HMDA reportable-loans were originated within the assessment area. In 2000, the bank originated 32 HMDA reportable-loans totaling \$5.0 million, of which 26 (81.3%) loans totaling \$4.2 million (84.5%) were within the assessment area. In 2001, the bank originated 31 loans totaling \$6.1 million, of which 28 (90.3%) loans

totaling \$5.8 million (94.9%) were within the assessment area.

The following table shows a distribution of the HMDA-reportable loans originated during the evaluation:

ASSESSMENT AREA LENDING				
GEOGRAPHY	2000		2001	
	#	\$000's	#	\$000's
All Areas	32	4,951	31	6,143
Assessment Area	26	4,184	28	5,827
% inside Assessment Area	81.3%	84.5%	90.3%	94.9%

Consumer Loans

A majority of the bank's consumer loans were originated within the assessment area. The bank made a total of 303 consumer loans for \$4.8 million in 2000 and 314 loans for \$5.3 in 2001. Of these consumer loans, 73 loans for \$883 thousand in 2000 and 81 loans for \$835 thousand in 2001 were sampled. In 2000, the bank originated 49 (67.1%) of the sampled loans totaling \$599 thousand (67.8%) within the assessment area. In 2001, BOM made 62 (76.5%) of the sampled loans totaling \$615 thousand (73.7%) within the assessment area.

Small Business Loans

A majority of the bank's small business loans were originated within the assessment area. The bank originated a total of 86 small business loans for \$1.4 million in 2000 and 89 loans for \$1.5 million in 2001. Of these loans, 30 loans for \$954 thousand in 2000 and 39 loans for \$1.7 million in 2001 were sampled. In 2000, BOM made 24 (80.0%) of the sampled loans totaling \$761 thousand (79.8%) within the assessment area. In 2001, the bank originated 29 (74.4%) of the sampled loans totaling \$1.3 million (75.5%) within the assessment area.

The following table illustrates the bank's percentages of lending inside the assessment area based on the samples of consumer and small business loans originated in 2000 and 2001:

ASSESSMENT AREA LENDING				
GEOGRAPHY	CONSUMER LOANS		SMALL BUSINESS LOANS	
	#	\$000's	#	\$000's
2000				
All Areas	73	883	30	954
Assessment Area	49	599	24	761
% inside Assessment Area	67.1%	67.8%	80.0%	79.8%
2001				
All Areas	81	835	39	1,693
Assessment Area	62	615	29	1,279
% inside Assessment Area	76.5%	73.7%	74.4%	75.5%

Geographic Distribution of Lending - “Satisfactory”

BOM’s geographic distribution of loans reflects a reasonable dispersion throughout the assessment area, but exhibits weakened LMI penetration in the second year of the evaluation period for each of the three product areas.

HMDA Loans

The bank’s geographic distribution of HMDA loans reflects a reasonable dispersion throughout the assessment area. In 2000, BOM’s LMI penetration ratio was 7.7% (two loans) for the number of loans and 13.0% (\$545 thousand) for their corresponding dollar volume. These ratios compare favorably with aggregate ratios of 6.8% for the number and 5.6% for the dollar volume of loans.

During 2001, the bank extended 7.1% (two loans) in number and 7.1% (\$414 thousand) in dollar volume of its loans in LMI areas. The aggregate data for 2001 was not available.

As noted in the Performance Context, 16.7% of census tracts in the bank’s assessment area are LMI, but one of only two LMI tracts houses a state park and development center.

Consumer Loans

The geographic distribution of consumer loans reflects a reasonable dispersion throughout the assessment area. In 2000, the bank extended 14.3% (seven loans) by number and 11.8%(\$71 thousand) by dollar volume of its consumer loans in a moderate-income tract. The corresponding ratios for 2001 were 8.1% (five loans) by number and 8.5% (\$52 thousand) by dollar volume, showing a decline.

Small Business Loans

The geographic distribution of sampled small business loans reflects an excellent dispersion throughout the assessment area, but shows declined LMI penetration in the second year, as well. The bank extended 20.8% (five loans) and 13.8% (four loans) of its small business loans in 2000 and 2001, respectively, in a moderate-income census tract. The corresponding penetration ratios for dollar volume were 47.6% (\$362.3 thousand) in 2000 and 13.1% (\$167.5 thousand) in 2001.

- **Borrower Distribution of Lending** - “Satisfactory”

The bank’s borrower distribution of lending reflects reasonable penetration among individuals of different income levels and businesses of different sizes. Though LMI penetration shows improvement in the second year of the evaluation period, overall results among the three product areas differ significantly.

HMDA Loans

The bank's borrower distribution of HMDA loans originated within the assessment area reflects poor penetration among individuals of different income levels. In 2000, the bank's LMI penetration was 3.8% (one loan) for the number of loans and 2.5% (\$104 thousand) for the corresponding dollar volume. The bank's LMI penetration ratios were significantly below the aggregate ratios of 17.4% by number and 9.0% by dollar volume.

During 2001, the bank's LMI penetration improved to 7.1% (two loans) for the number of loans and 4.9% (\$284 thousand) for their corresponding dollar volume. The aggregate data for 2001 was not available for this evaluation.

Consumer Loans

The distribution of consumer loans originated inside the assessment area reflects an excellent penetration among individuals of different income levels. In 2000, approximately 51.0% (25 loans) of the consumer loans originated inside the assessment area were extended to LMI borrowers. BOM also extended 20.4% (10 loans) and 28.6% (14 loans) of its consumer loans to middle- and upper-income individuals, respectively. During 2001, approximately 58.1% (36 loans), 22.6% (14 loans) and 19.4% (12 loans) of the bank's consumer loans were extended to LMI, middle- and upper-income borrowers, respectively.

As noted in the Performance Context, approximately 37.1% of families in the bank's assessment area are LMI.

Small Business Loans

The distribution of sampled small business loans reflects a reasonable penetration among businesses of different sizes. In 2000 and 2001, the bank extended 45.8% (11 loans) and 62.1% (18 loans), respectively, of the number of small business loans to businesses with gross annual revenue of \$1 million or less.

The chart below illustrates the distribution of sampled small business loans by business revenue of the borrower:

Distribution of Small Business Loans by Business Revenue								
Revenue Size (\$000s)	2000				2001			
	#	#%	\$000's	%	#	#%	\$000's	%
\$1 million or less	11	45.8	167	22.0	18	62.1	623	48.7
Over \$1 million	13	54.2	594	78.0	11	37.9	656	51.3
Total	24	100.0	761	100.0	29	100.0	1,279	100.0

In 2000 and 2001, the bank originated 95.8% (23 loans) and 86.2% (25 loans), respectively, of the number of small business loans in amounts of \$100 thousand or less. The chart below details the distribution of small business loans by loan size:

Distribution of Small Business Loans by Loan Size								
Loan Size (\$000s)	2000				2001			
	#	#%	\$000's	\$%	#	#%	\$000's	\$%
< = \$100	23	95.8	576	75.7	25	86.2	568	44.4
> \$100 < = \$250	1	4.2	185	24.3	3	10.3	454	35.5
> \$250 < = \$1,000	-	0.0	-	0.0	1	3.4	257	20.1
Total	24	100.0	761	100.0	29	100.0	1,279	100.0

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

Neither the bank nor the New York State Banking Department received any written complaints about the bank's CRA performance since the prior evaluation dated March 31, 1999.

- **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.

The most recent regulatory compliance report concurrent with this assessment indicates a satisfactory performance in terms of adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **Process Factors**

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

The bank ascertains the credit needs of its assessment area through its directors, senior officers and employee's contacts or participation in local government, local business associations and various community service organizations. Many directors and officers serve on committees and boards of local non-profit organizations such as Millbrook Free Library, Millbrook Town of Washington Business Association and Cardinal Hayes Home for Children. The bank's executive vice president is also a Village Trustee and Deputy Mayor.

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.

In addition to direct contacts by the board of directors and officers, the bank advertises its products and credit services through print media such as *The Millbrook Round Table*, a weekly newspaper circulated primarily in the Village of Millbrook and the Town of Washington.

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 board of directors approves bank's CRA Statement on a yearly basis with the most recent approval on May 21, 2002. The board likewise reviews all loans during its regular meetings on the first and third Friday of each month.

- **Other Factors**

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

The bank continues to invest in securities issued by local government entities such as Millbrook Central School District, Village of Millbrook, Town of Washington, Town of Amenia and Union Vale Fire District. The bank's total outstanding investment portfolio as of September 2002 included \$2.8 million in securities issued by the political entities in Dutchess County, of which \$410 thousand were purchased during this evaluation period.

CHARTS FOR REPORTING OF HMDA STATISTICS

EXHIBIT 1

Residential Real Estate Loans - 2000 - by Borrower Income Level*										
Borrower Income Level	Total Lending				Assessment Area Lending				Aggregate**	
	Applications		Originations		Applications		Originations		Originations	
	#	%	#	%	#	%	#	%	#	%
Low	4	9.5	1	3.1	3	8.6	1	3.8	36	4.1
Moderate	1	2.4	-	0.0	1	2.9	-	0.0	117	13.3
Middle	9	21.4	7	21.9	8	22.9	6	23.1	227	25.9
Upper	21	50.0	17	53.1	16	45.7	12	46.2	435	49.5
N/A	7	16.7	7	21.9	7	20.0	7	26.9	63	7.2
Total	42	100.0	32	100.0	35	100.0	26	100.0	878	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.

EXHIBIT 2

Residential Real Estate Loans - 2000 - by Geography Income Level*										
Geography Income Level	Total Lending				Assessment Area Lending				Aggregate	
	Applications		Originations		Applications		Originations		Originations	
	#	%	#	%	#	%	#	%	#	%
Low	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
Moderate	7	16.7	6	18.8	2	5.7	2	7.7	60	6.8
Middle	34	81.0	25	78.1	33	94.3	24	92.3	817	93.1
Upper	1	2.4	1	3.1	-	0.0	-	0.0	-	0.0
N/A	-	0.0	-	0.0	-	0.0	-	0.0	1	0.1
Total	42	100.0	32	100.0	35	100.0	26	100.0	878	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%.

EXHIBIT 3

Residential Real Estate Loans - 2001 - by Borrower Income Level*								
Borrower Income Level	Total Lending				Assessment Area Lending			
	Applications		Originations		Applications		Originations	
	#	%	#	%	#	%	#	%
Low	2	4.2	-	0.0	2	4.8	-	0.0
Moderate	5	10.4	3	9.7	3	7.1	2	7.1
Middle	7	14.6	4	12.9	5	11.9	3	10.7
Upper	25	52.1	18	58.1	24	57.1	17	60.7
N/A	9	18.8	6	19.4	8	19.0	6	21.4
Total	48	100.0	31	100.0	42	100.0	28	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%.

EXHIBIT 4

Residential Real Estate Loans - 2001 - by Geography Income Level*								
Geography Income Level	Total Lending				Assessment Area Lending			
	Applications		Originations		Applications		Originations	
	#	%	#	%	#	%	#	%
Low	-	0.0	-	0.0	-	0.0	-	0.0
Moderate	7	14.6	2	6.5	4	9.5	2	7.1
Middle	41	85.4	29	93.5	38	90.5	26	92.9
Upper	-	0.0	-	0.0	-	0.0	-	0.0
N/A	-	0.0	-	0.0	-	0.0	-	0.0
Total	48	100.0	31	100.0	42	100.0	28	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 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.