



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

2 Rector Street  
New York, NY 10006

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

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

**Institution:** Capital Bank and Trust Company  
145 Wolf Road  
Albany, NY 12205

**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 Capital Bank and Trust Company (“CBTC”) 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

Capital Bank and Trust Company ("CBTC") is rated "2", indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following factors:

- *Loan-to-Deposit Ratio and Other Lending-Related Activities:* The bank's loan-to-deposit ("LTD") ratio is reasonable. According to the Uniform Bank Performance Report for the prior 11 quarters ended December 31, 2001, CBTC had an average LTD ratio of 78.1%, which compares favorably with 74.8% for the peer group.

Additionally, during this evaluation period, the bank had five community development loans totaling \$420.9 thousand, of which 23.8% or \$100 thousand represented new money.

- *Assessment Area Lending:* With a majority of its small business and consumer loans originated within the assessment area, the bank's assessment area lending is adequate.
  - In 2000, the bank originated 65.2% by number and 64.9% by dollar volume of its small business loans within the assessment area. In 2001, the ratios were 68.2% and 73.7%, respectively, showing an increase.
  - In 2000, the bank originated 59.7% by number and 62.6% by dollar volume of its consumer loans within the assessment area. In 2001, the corresponding ratios were 52.6% and 55.6%, showing a decline.
- *Geographic Distribution of Lending:* CBTC's geographic distribution of loans reflects a reasonable dispersion within its assessment area. The LMI percentages for the numbers of both small business and consumer loans show an increase over the penetration achieved at the prior evaluation.
- *Borrower and Loan Size Distribution:* Inasmuch as the bank did not collect revenue information on its small business borrowers, an analysis of the bank's small business loans by borrower income could not be performed. However, a reasonable number of the bank's small business loans had origination amounts of \$100 thousand or less.
- *Services:* The bank's services and banking hours are tailored to the needs and convenience of its community.
- During the evaluation period, five officers of the bank served with seven nonprofit organizations as members of the boards of trustees, advisory council, executive or finance committees, as well as chairman of the marketing committee and treasurer.
- *Complaints:* There have been no complaints filed against the bank with the Banking Department concerning its performance in helping to meet the credit needs of its

community or other CRA-related matters.

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:**

Chartered in 1995, Capital Bank and Trust Company ("CBTC") is a retail commercial bank located in the Capital District Region of New York. CBTC operates two banking offices, including a head office located at 145 Wolf Road and a full service branch located at 7 Southwoods Boulevard, both in Albany. CBTC operates six Automated Teller Machines ("ATMs") in Albany County, including a deposit-taking terminal attached to the main office and five offsite non-deposit-taking ATMs. The bank operates three additional non-deposit-taking ATMs outside of Albany County, one each in Rensselaer, Saratoga and Warren Counties. The bank is a member of the NYCE & CIRRUS networks.

On December 31, 2001, the bank reported total assets of \$94.2 million and gross loans of \$69.8 million, of which commercial loans and commercial mortgages accounted for 49.1% and 37.4% of the portfolio, respectively. The bank is primarily a commercial and industrial loan and commercial mortgage lender. On December 31, 2001, CBTC reported total deposits of \$86.5 million, resulting in a loan-to-deposit ratio of 79.0%. According to the Uniform Bank Performance Report, for the prior 11 quarters ended December 31, 2001, CBTC had an average loan-to-deposit ratio of 78.1%, which compares favorably with 74.8% for the peer group. According to the latest available comparative deposit data, dated June 30, 2001, the bank had a market share of 1.4% (\$83.2 million) out of \$5.8 billion deposits in Albany County, ranking it 12<sup>th</sup> among 18 deposit-taking institutions.

There were no financial or legal impediments noted that would adversely impact the institution's ability to help meet the credit needs of its assessment area.

### **Assessment Area:**

The bank has chosen Albany County, one of the five counties in MSA 0160 (Albany-Schenectady-Troy) as its assessment area.

**Albany County** - According to the U.S. Census Bureau, in 1990, Albany County had a population of 292.6 thousand, which increased by 0.7% to 294.6 thousand in 2000. Fourteen point six percent (42.8 thousand) of the 1990 population was over the age of 65 and 19.2% (56.2 thousand) was below the age of 16.

The county has 68 census tracts, of which four (5.9%) are low-income tracts, 11 (16.2%) moderate-income, 33 (48.5%) middle-income and 20 (29.4%) upper-income tracts.

There were 72.0 thousand families in the area, of which 16.2% (11.7 thousand) were low-income families, 17.1% (12.3 thousand) moderate-income, 25.0% (18.0 thousand) middle-income and 41.7% (30.0 thousand) upper-income families. Of the 24.0 thousand LMI families, 30.5% (7.3 thousand) lived in LMI tracts and they accounted for 65.2% of all families (11.2 thousand) living in LMI tracts. Six percent (4.3 thousand) of all families had

incomes below the poverty level. There were 115.9 thousand households in the area, of which 9.6% (11.2 thousand) had incomes below the poverty level.

In 1990, there were 124.3 thousand housing units in the area, of which 79.3% (98.6 thousand) were 1-4 family units, 17.4% (21.7 thousand) were multifamily units and 2.0% (2.5 thousand) were mobile units. Fifty-three point one percent (66.0 thousand) of the housing units were owner-occupied and 9.1% (6.0 thousand) of these were located in LMI tracts. Forty point one percent (49.8 thousand) of the housing units were renter-occupied and 32.8% (16.3 thousand) of these were in LMI tracts. Seven point three percent (9.0 thousand) of all housing units were vacant/boarded up. The median housing value was \$104.4 thousand and the median age of the houses was 37 years.

The 1990, median family income for the county was \$41.7 thousand and the median income for the MSA was \$39.4 thousand. HUD's estimated median family income for the MSA was \$51.3 thousand in 2000 and \$53.0 thousand in 2001.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in 2000 in the county were services (29.8%), state and local government (27.6%) and finance, insurance and real estate (9.4%). In 1990, the major sources of earning were state and local government (32.1%), services (23.1%) and finance, insurance and real estate (7.6%).

According to a Dun and Bradstreet survey, in 2000, there were 14.9 thousand businesses in the county, of which 12.7 thousand (84.8%) had revenues of \$1.0 million or less. One point five thousand (10.1%) had revenues of more than \$1.0 million and 762 (5.1%) were businesses on which no revenues were reported. Two point six thousand (20.6%) of the small businesses in the county were located in LMI tracts. Eighty-nine point two percent (13.3 thousand) of all the businesses in the area had fewer than 50 employees and 74.0% (11.0 thousand) operated from a single location.

Forty-four point eight percent (6.7 thousand) of all the firms were service providers, 19.0% (2.8 thousand) were in the retail trade, 8.7% (1.3 thousand) in finance, insurance and real estate, 7.9% (1.2 thousand) in construction and 5.7% (844) in the wholesale trade.

According to the New York State Department of Labor, the county's average unemployment rates were 2.8% in 2000 and 2.6% in 2001. The county's average unemployment rates were slightly below the MSA's average unemployment rates of 3.4% in 2000 and 3.2% in 2001. The county's average unemployment rates were also below the New York State's average rates of 4.6% in 2000 and 4.9% in 2009.

Portions of Albany County have been designated as Economic Development Zones ("EDZ") by the State of New York, based on community economic distress. Cohoes, Colonie, Green Island, Guilderland and Watervliet have been designated EDZs. Firms located in these areas may be eligible for assistance including various tax credits, such as

wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

A part of the City of Albany shares a Federal Enterprise Community (FEC) with portions of Schenectady, in Schenectady County and Troy, in Rensselaer County. Known as the Capital Region Enterprise Community, this area receives financial and technical support from a multiple of federal agencies, including HUD, USDA, HHS, Treasury, Labor and Justice as well as from the state and local governments. The program's purposes is to increase the employment opportunities of the residences through job training and economic development, to create new jobs and retain current jobs and to provide programs for affordable housing, education and childcare. Various federal tax benefits and other assistance are available to businesses that open or employ residents in a FEC.

## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

CBTC'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. Based on optional information provided by the bank, CBTC's services were also considered.

The institution offers a variety of lending products including

### **Consumer Loan Products:**

- Personal Installment Loans
- Home Equity Loans
- Home Equity Lines of Credit
- Home Improvement Loans
- Automobile Loans ( new and used)
- Boat & Recreational Vehicle Loans
- Overdraft Lines of Credit
- Personal Lines of Credit

### **Commercial Loan Products:**

- Lines of Credit for Short Term Borrowings
- Term Loans
- Commercial Real Estate Mortgages
- Loans and Lines Guaranteed by the Small Business Administration (SBA)
- Receivables Purchase-Based Working Capital Financing
- Letters of Credit

According to the Consolidated Reports of Condition and Income, the following table shows the bank's gross loans on December 31, 2000, and 2001:

<b>TOTAL GROSS LOANS OUTSTANDING</b>				
LOAN TYPE	12/31/2001		12/31/2000	
	\$000	%	\$000	%
1-4 Residential Mortgage Loans	4,383	6.3	4,798	7.5
Commercial Mortgage Loans	25,640	36.8	19,663	30.9
Multi-family Mortgages	3,050	4.4	3,158	5.0
Consumer Loans	1,790	2.6	2,024	3.2
Commercial & Industrial loans	34,234	49.1	32,327	50.8
Other Loans	227	0.3	0	0.0
Construction Loans	434	0.6	1,726	2.7
Total Gross Loans	69,758	100.0	63,696	100.0

As reflected in the chart above, CBTC's primary lines of business are commercial and industrial lending and commercial mortgage lending.

CBTC's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small business or small farms is limited to its origination of loans guaranteed by the United States Small Business Administration ("SBA"). As an approved SBA lender, CBTC generated the following loans during the assessment period:

Year	Number	Dollar Amount
1999	3	236,200
2000	1	89,384
2001	2	215,000

These SBA loans are fully accounted for in the small business loan data, discussed below.

- **Loan-to-Deposit Analysis and other Lending-Related Activities:**

*Loan-to-Deposit Analysis:* The bank's loan-to-deposit ("LTD") ratio is reasonable. According to the Uniform Bank Performance Report, for the prior 11 quarters ended December 31, 2001, CBTC had an average LTD ratio of 78.1%, which compares favorably with 74.8% for the national peer group.

For the 4 quarters ending December 31, 2001, CBTC's average LTD ratio was 79.0% and on December 31, 2000, it was 75.6%. Both years' average LTD ratio was in line with the national peer group ratios of 76.3% and 75.6%, respectively.

*Community Development Lending:* During this evaluation period, the bank had six

community development loans totaling \$420.9 thousand, of which 23.8% or \$100 thousand is considered new money. These loans were to entities engaged in affordable housing, community services and economic development. On December 31, 2001, \$355.9 thousand was outstanding under these facilities.

The following is a brief description of the bank's community development loans:

- **Capital District Community Loan Fund (“CDCLF”)**: During this evaluation period, the bank's term loan to this entity was increased to \$50 thousand, from \$20 thousand at the prior evaluation. On December 31, 2001, \$30 thousand was outstanding. CDCLF pools capital from socially concerned individuals and institutions, identifies opportunities to make loans to local groups for housing and community development projects, and negotiates and manages loans at a minimum cost. The highest priority is given to projects in Albany, Schenectady and Troy that assure benefits for low-income individuals on a long-term basis and strengthen the economic base of a low-income community.
- **Community Living Associates Program, Inc. (“CLAPI”)**: In July 1998, the bank provided this entity with a \$30 thousand line of credit that was increased to \$50 thousand during this evaluation period. On December 31, 2001, the full amount was outstanding. CLAPI's mission is to assist in improving the lives of individuals who are now, or have been, involved in the mental health system. This objective is accomplished through a variety of programs intended to address recipients' needs in housing, case management, advocacy and vocation.
- **Statewide Youth Advocacy, Inc. (“SYA”)**: On April 30, 2001, the bank extended a \$20 thousand line of credit to this entity. SYA is a non-profit organization dedicated to improving the lives of New York State's children. SYA works with parents and other caregivers, state and local policymakers, medical professionals, foundations and community members to expand access to children health services and obtain adequate public benefits for children and their families. Furthermore, SYA helps to redesign the child welfare system to protect children and strengthen families, extend equal educational opportunities to all children and address the causes of child poverty.
- **New York Business Development Corporation (“NYBDC”)**: During this evaluation period, the bank renewed a \$50 thousand line of credit to NYBDC that it originated during the prior evaluation. On December 31, 2001, \$4.9 thousand was outstanding. The NYBDC is a privately-owned entity created by New York State statute and funded by commercial and savings banks under lines of credit- typically at LIBOR based rates – that are utilized to provide a broad range of financing to small and mid-sized businesses located in New York State.
- **Center for Advancement of Family & Youth (“CAFY”)**: CBTC provided a term mortgage loan of \$355 thousand on December 29, 1998 to this entity, with \$271 thousand outstanding on December 31, 2001. The Center for Advancement of Family

and Youth operates day care and treatment centers offering preventive services and other non-residential programs for the care of neglected, abused, destitute children, juvenile delinquents and their families. Additionally, CAFY provides residential services to youths aged 10-21 years. The center provides services to an average of 375 children each year. The services include community-based daily therapeutic after school activities program, a transitional residential living program, an emergency group foster care program, individual and family counseling, parent education, and support groups.

- **Proportion of Lending Within Assessment Area:**

With a majority of the bank's small business and consumer loans extended within its assessment area, CBTC's assessment area lending is adequate.

In 2000, the bank originated 333 small business loans totaling \$28.2 million, of which 217 loans (65.2%) totaling \$18.3 million (64.9%) were made within the assessment area. In 2001, the bank originated 336 loans totaling \$33.1 million, of which 229 loans (68.2%) totaling \$24.4 million (73.7%) were made within the assessment area, showing an increase.

In 2000, the bank originated 114 consumer loans totaling \$2.8 million, of which 68 loans (59.7%) totaling \$1.8 million (62.6%) were made within the assessment area. In 2001, CBCT originated 97 consumer loans totaling \$2.9 million, of which 51 consumer loans (52.6%) totaling \$1.6 million (55.6%) were made within the assessment area, showing a decrease.

- **Geographic Distribution of Lending:**

CBTC's geographic distribution of loans reflects a reasonable dispersion within its assessment area.

In 2000, CBTC originated 35 (16.1%) small business loans totaling \$3.4 million (18.4%) in LMI geographies within its assessment area. In 2001, while the bank's number of small business loans in LMI geographies remained the same (35, representing 15.3% of all loans), the dollar volume of such loans decreased by 13.2% to \$2.9 million (12.0%). These figures reflect an average decrease in loan size. During the prior evaluation period, CBTC originated 31 (12.2%) small business loans totaling \$4.0 million (15.5%) in LMI areas. The bank's lending by number volume during this evaluation period is strong compared to prior evaluation. The dollar volume has decreased since the prior evaluation.

In 2000, the bank originated five (7.4%) consumer loans totaling \$355.5 thousand (20.5%) in LMI geographies within its assessment area. The number and dollar volume of consumer loans in LMI areas declined significantly in 2001, to two (3.9%) loans totaling \$38.0 thousand (2.4%). While the bank's performance in 2000 represents significant improvement relative to the prior evaluation, its performance in 2001 is in line with that of the prior evaluation, when CBTC originated two (2.8%) consumer loans totaling \$39.0

thousand (2.6%) in LMI areas.

As noted above, 22.1% of census tracts in the bank’s assessment area are LMI and 21.8% of businesses in Albany County are located in LMI tracts.

- **Borrower Distribution of Lending**

Because the bank did not collect revenue information on its small business borrowers, an analysis of the bank’s small business loans could not be performed. However, management stated that 60.0% of CBTC’s small business borrowers had revenues of \$1 million or less. Additionally, an analysis of the consumer loans could not be performed because the bank did not collect income data.

Data provided by the bank reveal that a reasonable proportion of small business loans was in origination amounts of \$100 thousand or less.

In 2000, the bank originated 79.3% by number and 41.7% by dollar volume of its small business loans in amounts of \$100 thousand or less. In 2001, the corresponding ratios declined to 73.8% and 28.9%, respectively.

Distribution of Small Business Loans By Loan Size								
Loan Size (\$000's)	2000				2001			
	Number		Dollar		Number		Dollar	
	#	#%	\$000's	\$%	#	#%	\$000's	\$%
<=\$100	172	79.3%	7,633	41.7%	169	73.8%	7,039	28.9%
> \$100 <=\$250	35	16.1%	6,254	34.2%	37	16.2%	6,591	27.0%
> \$250 <=\$1,000	10	4.6%	4,405	24.1%	23	10.0%	10,741	44.1%
Total	217	100.0%	18,292	100.0%	229	100.0%	24,371	100.0%

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

There have been no complaints filed against the bank with the Banking Department concerning the bank’s performance in helping to meet the credit needs of its community or other CRA-related matters.

- **Services**

CBTC’s services and banking hours are tailored to the needs and convenience of its community. Both banking offices are open from 9:00 a.m. to 4:00 p.m., Monday through Friday.

In the summer of 2001, the bank launched its online web-site [www.capitalbank.com](http://www.capitalbank.com), wherein consumers can obtain current account information, transfer funds, pay loans and taxes,

make stop payments and easily reconcile their accounts. The Web BillPay System through Checkfree provides clients with an easier way to pay their bills.

The bank offers a basic checking account that has all the features of basic banking account.

During the evaluation period, five officers of the bank served with seven non-profit organizations as members of the board of trustees, executive committee, finance committee, advisory council, chairman of the marketing committee and treasurer. Relationships were with the YMCA of Capital Region, Catholic Charities of the Albany Diocese, Religious Sisters of Mercy of the Americas, Clearview Center, Inc., Capital District Community Loan Fund, Early Childhood Education Center and Center for Financial Training.

- **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 evaluation indicates a satisfactory performance in terms of adherence to anti-discrimination or other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **Process Factors**

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

The bank ascertains the credit needs of its community through a call program and through membership in and/or contacts with local community development organizations such as Albany Local Development Council, The Center for Economic Growth, Center for the Environment and Scientific Management, New York Business Development Corporation, Albany Chamber of Commerce, 12205 Council and Capital District Bank Community Partnership Forum.

**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.**

CBTC uses only print media to market its products and services. It regularly advertises in *Capital District Business Review*, a weekly paper that is primarily geared towards local businesses.

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

The bank's board of directors establishes all policies and procedures for the bank. CRA oversight is effected through the review of all loans. In addition, the bank has a board-appointed CRA officer, who reports to the board annually.

- **Other Factors**

**Other factors that in the judgement 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 non-metropolitan median family income.

### **LMI Borrowers**

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

### **LMI Individuals/Persons**

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

### **Small Business Loans**

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