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: First State Bank, Canisteo
3 Main Street, P. O. Box 7
Canisteo, NY 14823

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.**

TABLE OF CONTENTS

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of First State Bank ("FSB"), Canisteo 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 ("LMI") 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

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

- *Loan-to-Deposit Ratio and other lending-related activities:* FSB's loan-to-deposit ("LTD") ratio grew to 84% at the evaluation date and is considered reasonable. This level represents a significant increase from the prior year-end and is well above the peer average of 70.19%. However, the average LTD ratio for the previous nine calendar quarters was 57.35%, substantially below the peer group average of 71.84% over the same period.

  The bank enhanced the availability of credit in its assessment area, with community development loans totaling $183 thousand and a qualified investment for $81 thousand.

- *Assessment Area Concentration:* A slim majority of FSB's loans and other lending-related activities were in the assessment area. Overall, 54% of sampled loans were made within its assessment area, comprising only 39% of dollars loaned. Of specific concern is the very high proportion (94% by number and 93% by dollar volume) of small business loans that were made outside the assessment area. Management is urged to closely review and monitor this weakness going forward.

- *Geographic Distribution of Loans:* The geographic distribution of sampled mortgage and consumer loans originated in the bank's assessment area indicated highly satisfactory dispersion throughout the assessment area. Approximately 42% and 31% of sampled mortgage loans were extended in LMI areas in 2000 and 2001, respectively. For consumer loans, the corresponding LMI penetration rates were 33% and 38.9%, respectively.

- *Borrower's Profile:* The distribution of sampled mortgage and consumer loans among individuals of different income levels in the bank's assessment area indicated highly satisfactory penetration among borrowers of different income levels. Approximately 50% and 32% of sampled mortgage loans were extended to LMI borrowers in 2000 and 2001, respectively. For consumer loans, the corresponding LMI penetration rates were 74% and 81%, respectively.

- *Complaints:* Neither the bank nor the New York State Banking Department has received any complaints with respect to the bank's CRA performance.

- The bank's President serves as CRA officer, suggesting a high priority given to CRA issues.

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:

Established in 1887, First State Bank is a $43 million commercial bank and a wholly owned subsidiary of Canisteo Valley Corporation, a bank holding company. FSB's principal office is in the Town of Canisteo, located in the southwestern part of Steuben County, New York.

FSB has two full service branches located in the Towns of Greenwood and Hornellsville. In July 2001, the bank opened a loan production office in the Village of Wellsville, Allegany County, New York. The offices in Canisteo and Hormellsville provide 24-hour Automated Teller Machine ("ATM") facilities and the bank is a participant in the Cartel, CIRRUS, PLUS/VISA, American Express, Discover and MoneyMaker electronic network systems. FSB's offices in Canisteo and Hornellsville are located in middle-income block numbering areas ("BNAs") while the Greenwood office is located in a moderate-income BNA.

For the year ended December 31, 2001, FSB reported total assets of $43 million, including net loans of $33 million (76.7% of total assets), investments of $7 million (16.3%) and total deposits of $39.4 million (91.6%). The bank's equity capital was $3.6 million, after a net loss of $80 thousand. FSB has 51% of its loan portfolio in real estate loans, 31% in commercial loans, 15% in consumer loans and the remainder in municipal and other loans.

The institution offers a variety of loans including the following:

- 1-4 family residential mortgages;
- Multi-family dwelling mortgages;
- Home equity loans & lines of credit;
- Consumer installment loans;
- Home improvement loans;
- Personal loans;
- Commercial loans and lines of credit; and
- Overdraft protection lines of credit.

The following table illustrates the composition of the bank's loan portfolio as of December 31, 2001 and 2000, respectively, according to the FDIC Consolidated Reports of Condition:

TOTAL GROSS LOANS OUTSTANDING

LOAN TYPE	12/31/2001		12/31/2000	
	$000	%	$000	%
Residential Mortgage Loans	13,937	41.9	9,700	45.2
Commercial Mortgage Loans	3,225	9.7	1,429	6.7
Commercial & Industrial Loans	11,330	34.1	5,685	26.5
Consumer Loans	3,854	11.6	3,802	17.7
Agricultural Loans	119	0.4	191	0.9
Secured By Multifamily	0	0.0	13	0.1
Other Loans	778	2.3	647	3.0
Total Gross Loans	33,243	100.0	21,467	100.0

During 2001, FSB extended 211 small business loans aggregating to $8.8 million, a substantial increase over the 138 loans totaling $4.9 million extended in 2000. As noted in the table above, the bank's portfolio of commercial and industrial loans increased by 7.6 percentage points to 34.1% of total gross loans. In 2001, the bank originated 303 consumer loans totaling $2.2 million, up from 226 totaling $1.7 million in 2000. In 2001, 38 mortgage loans were originated for $1.5 million; a considerable decrease from 75 mortgages totaling $3.4 million in 2000.

Management states that the bank operates in one of the poorest regions in New York and is subject to severe competition from large and tax-exempt institutions like credit unions and government-sponsored entities such as Farm Credit of Western, NY-ACA and USDA Farm Credit Services. Further, at three local school districts within their trading area, there are restrictions in union contracts that prohibit the districts from offering deposit banking services from more than one financial institution and this prohibition effectively bars the bank from access to a valuable segment of the local deposit and borrowing market.

FSB's participation in government insured, guaranteed or subsidized loan programs for housing, small business or small farms include the following:

Small Business Administration ("SBA"): FSB is a participating lender under the SBA's 7(a) guaranteed loan program. Under the Program, the SBA provides lenders with up to an 85% guarantee for small business loans. Proceeds may be used for various business purposes including expansion and renovation; purchase of equipment and fixtures; finance receivables, purchase of land or building. During the evaluation period, FSB originated six loans totaling $541 thousand

New York State Excelsior Linked Deposit Program ("ELDP"): In November 1999, the bank became an approved lender under the ELDP program. This program is generally available to New York State based firms in manufacturing with 500 or fewer employees and service businesses of 100 or fewer employees. Retail businesses are not eligible unless they are certified, in an Economic Development Zone or are creating jobs in a highly distressed area. Start up businesses are not eligible. This program provides small businesses with access to lower-interest rates. Eligible businesses can receive loans with interest rates 2% or 3% lower than the prevailing rate. The subsidized rates result from the State's placing of deposits with participating banks at interest rates below market rates. The bank extended one loan during the evaluation period for $73 thousand.

Farm Service Agency Guaranteed Loan Program: In December 1999, the bank became an approved Standard Eligible Lender under the Farm Service Agency's loan guaranty program. FSB has not originated any loans under this program

U.S Department of Agriculture's Farm Service Agency Guaranteed Loan Program provides participating agricultural lenders with guaranties of up to 95% of principal for farm ownership loans or operating loans that meet certain qualifying criteria. FSA can guarantee farm ownership and operating loans up to $700 thousand. Under its Interest Assistance program, it can subsidize 4 percentage points of the interest rate on loans to qualifying borrowers. Farm ownership loans, which can be for the purchase of farmland, the construction or repair of buildings and other fixtures, the development of farmland to promote soil and water conservation or to refinance debt, may have terms of up to 40 years. Operating loans can be used to purchase items such as livestock, equipment, feed, etc. needed for a successful farm operation that can have terms of up to seven years.

The bank was awarded a rating of "2" at its last CRA Performance Evaluation by the Banking Department as of September 30, 1999, reflecting a satisfactory record of helping to meet community credit needs.

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

Assessment Area:

FSB is not located in an Metropolitan Statistical Area ("MSA"). The bank's assessment area consists of two moderate and seven middle-income BNAs in the southwestern portion of Steuben County. There are no low-income geographies in the assessment area. Included in the assessment area are the Townships of Avoca, Cameron, Canisteo, Dansville, Fremont, Greenwood, Hartsville, Hornellville, Howard, Jasper, Rathbone, Thurston, Troupsburg and West Union. The assessment area as delineated by the bank appears reasonable based upon the location of the banking offices and current lending patterns. There is no evidence that LMI areas were arbitrarily excluded.

According to the 1990 census, the assessment area had a population of 30.9 thousand; 14.2% were over the age of 65 and 25.7% were under the age of 16. There were 8.3 thousand families in the assessment area of which 44.7% were low- or moderate-income ("LMI") and of those families, 27.0% lived in LMI BNAs. There were 11.4 thousand households in the assessment area, of which 14.9% had income below the poverty level.

The assessment area has 13.2 thousand housing units, of which 10.5 thousand (80.0%) were 1-4 family units and 15.0% were mobile homes or trailers. Owner-occupied units comprised 63.3% of all housing, and 23% of the units were rental. The median housing value was $37.5 thousand and the median age of the units was 40 years.

According to the U.S Department of Commerce's Bureau of Economic Analysis ("BEA"), data of Steuben County, the greatest earnings by industry in 2000 were durable goods manufacturing; services(15.1%); and state and local governments (10.7%). In 2000, per capita personal income (PCPI) was $28,189, ranked 15th in the state, and was 81 % of the state average of $34,689.

The 1990 median family income for the assessment area was $27.6 thousand, while the median family income for the county was $30.2 thousand and the median family income for all non-MSA counties in New York State was $31.5 thousand.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

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

Because FSB is not located in an MSA, it is not a Home Mortgage Disclosure Act ("HMDA") reporter and, as a small bank, it is not required to collect government monitoring information in connection with its small business loans. Accordingly, the analysis is based on a random sample of 283 loans from a universe of 991 loans originated during the evaluation period. Home mortgage loans, consumer loans and small business loans were included in the sample.

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

- **Loan-to-Deposit Ratio and Other Lending-Related Activities: "Satisfactory"**

As illustrated in the table below, FSB's LTD ratio grew to 84% at the evaluation date and is considered reasonable. This level represents a significant increase from the prior year-end and is well above the peer average of 70.19%. However, the average net LTD ratio for the previous nine calendar quarters was 57.35%, substantially below the peer group average of 71.84% for the same period.

LOAN-TO-DEPOSIT RATIOS

12/31/01	9/30/01	6/30/01	3/31/01	12/31/00	9/30/00	6/30/00	3/31/00	12/31/99
84.00*	73.38*	62.82*	56.57*	52.97*	48.23*	50.26*	44.88*	43.08*
70.19**	72.32**	73.09**	71.74**	72.08**	73.58**	73.45**	70.21**	69.88**

**** First State Bank; ** Peer Group Average***

Other Lending-Related Activities:

FSB enhanced the availability of credit in its assessment area through community development loan commitments made during the assessment period and through outstanding community development loans made in prior assessment periods. The bank also had one qualified investment.

New York Business Development Corporation ("NYBDC"): In December 1999, the bank became a member of NYBDC and approved a $100 thousand line of credit. There have been no borrowings under this line. The NYBDC is a privately owned public benefit corporation created by New York State statute, and is owned and funded under lines of credit by a consortium of New York State commercial and savings banks. It provides a broad range of financing to small and mid-sized businesses located in New York State and works in conjunction with state agencies such as the Department of Economic Development.

Alcohol & Drug Dependency Service Foundation, Inc.: The bank has $83 thousand outstanding as of this evaluation period, which includes a new loan of $73 thousand. Alcohol & Drug Dependency Service Foundation, Inc. is a not-for-profit organization that provides housing facilities for low- and moderate-income recovering addicts and alcoholics.

Community Preservation Corporation ("CPC")/Community Lending Corporation ("CLC"): The bank invested $81 thousand in CPC's collateral trust notes during the current evaluation period. The CPC is a lending consortium that makes construction and permanent loans for the creation, rehabilitation and preservation of affordable housing throughout the State of New York. CPC's bank sponsors provide secured financing, under revolving lines of credit, for housing construction and rehabilitation, as well as permanent financing through purchases of collateral trust notes backed by CPC mortgages. CLC merged with the CPC in 1995 and is now the upstate division of CPC.

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

A slim majority of loans and other lending-related activities were in the assessment area Based on the sample of loans reviewed, 54% of FSB's loans were made within its assessment area, representing only 39% of dollars loaned. Assessment area percentages between 2000 and 2001 were relatively unchanged.

Of particular concern is the very high proportion (94% by number and 93% by dollar volume) of small business loans extended outside the assessment area. Management is urged to closely review and monitor this weakness going forward.

The sampling also included 6 6 mortgage loans, of which 45 loans (68%) for $1.5 million (56%) were made within the assessment area. The consumer loan sample consisted of 129 loans, of which 102(79%) totaling $657 thousand(76%) were originated within the bank's assessment area. Small business loans accounted for 88 loans sampled, of which only five (6%) loans totaling $176 thousand (7%) were originated within the assessment area.

A summary of the assessment area concentration of FSB's lending is contained in the table below:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	***Number of Loans***					***Amount ($ in thousands)***				
	Inside AA		**Outside**		**Total**	**Inside AA**		**Outside**		**Total**
	#	**%**	**#**	**%**		**$**	**%**	**$**	**%**	
Small Business										
2000	1	2%	45	98%	46	60	5%	1,063	95%	1,123
2001	4	10%	38	90%	42	116	8%	1,262	92%	1,378
Total SB	5	6%	83	94%	88	176	7%	2,325	93%	2,501
Home Mortgage										
2000	26	68%	12	32%	38	814	57%	602	43%	1,416
2001	19	68%	9	32%	28	682	54%	577	46%	1,259
Total Mortgage	45	68%	21	32%	66	1,496	56%	1,179	44%	2,675
Consumer										
2000	43	81%	10	19%	53	229	74%	82	26%	311
2001	59	78%	17	22%	76	428	78%	124	22%	552
Total Consumer	102	79%	27	21%	129	657	76%	206	24%	863
Grand Total	**152**	**54%**	**131**	**46%**	**283**	**2,329**	**39%**	**3,710**	**61%**	**6,039**

- **<u>Geographic Distribution of Lending</u>: "Satisfactory"**

Inasmuch as small business lending in the assessment area was minimal, a geographic distribution analysis of these loans would not be meaningful. Accordingly, the sample utilized for evaluating this factor contained only mortgage and consumer loans.

The geographic distribution of sampled mortgage and consumer loans originated in the bank's assessment area indicated a highly satisfactory dispersion throughout the assessment area.

For the year 2000, 11 of the 26 assessment area mortgage loans contained in the sample were made in moderate-income tracts, representing 42% of assessment area lending. In 2001, mortgage loan sampling indicated that 31% of the assessment area loans were extended in moderate-income geographies, reflecting a decline.

The distribution of sampled consumer loans for 2000 indicates a satisfactory geographic distribution, with 33% of the sampled loans made in moderate-income tracts in the assessment area. The lending distribution for 2001 revealed improved geographic distribution, with 38.9% of the sampled loans originated in moderate-income tracts within the assessment area.

As noted in the Performance Context, only two of the nine BNAs in the bank's assessment area are LMI.

- **Borrower Distribution of Lending: "Satisfactory"**

For the same reason as cited above, the sample utilized for the borrower distribution analysis contained only mortgage and consumer loans.

The distribution of sampled mortgage and consumer loans reflects highly satisfactory penetration among individuals of different income levels in the bank's assessment area.

For the year 2000, 50% of the sampled assessment area mortgage loans were made to LMI borrowers. For 2001, mortgage loan samples indicate that 32% were extended to LMI borrowers, reflecting a decline.

The distribution of sampled consumer loans made within the bank's assessment area for the year 2000 revealed a highly satisfactory penetration among borrowers of different income levels, with 74% of the sampled loans made to LMI borrowers. The LMI penetration rate increased in 2001, to 81% of sampled consumer loans.

As noted in the Performance Context, 44.7% of families in the bank's assessment area were LMI.

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

Neither the bank nor the New York State Banking Department received any complaints with respect to the bank's Community Reinvestment Act performance during the assessment period.

- **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.

Evidence of prohibited discriminatory or other illegal credit practices.

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

The most recent regulatory compliance report concurrent with this assessment indicates 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.

- **<u>Process Factors</u>**

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.

Directors, officers and staff members of the bank participate in various types of community activities. This involvement provides opportunities for regular contact with community residents and an opportunity to promote the various products and services offered by the bank. Directors and officers also meet with representatives of local religious, civic, educational, governmental and business organizations to determine whether they can be of assistance concerning any financial or technical matters.

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

The bank sponsors a periodic "President's Breakfast" for small businesses at which speakers describe products designed to meet the special needs of small businesses. Speakers come from the SBA, the NYS Link /Deposit Program and private corporations. The bank also advertises daily on the local radio stations and the advertisements are rotated throughout the year to promote the products applicable to the season. FSB also advertises its products and services in the local Penn-E-Saver, local newspapers, church bulletins and in civic organizations publications.

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 has designated the bank's president as the CRA officer. Through this position, the president is intimately involved in the formulation of the bank's CRA policies. Annually, the CRA officer submits a report to the board that describes the efforts made to ascertain and meet the community's credit needs. Directors' involvement also helps ascertain the community's credit needs.

- **<u>Other Factors</u>**

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.

Bank officers have participated in various community activities. These include addressing students in a Life Skills class and conducting a seminar entitled "Window to the World", to which Canisteo schools were invited.

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.