



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

One State Street
New York, NY 10004

PUBLIC SUMMARY
(Off-site Evaluation)

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2001

Institution: Fulton Savings Bank
75 South First Street
Fulton, NY 13069

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Banking Department concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an “off-site” evaluation of the Community Reinvestment Act (“CRA”) performance of Fulton Savings Bank (“FSB” or “Fulton”) 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

Fulton Savings Bank is rated "1", indicating an Outstanding record of helping to meet community credit needs. This rating reflects the following:

- FSB's loan-to-deposit ("LTD") ratio is more than reasonable given the bank's size, financial condition, competitive lending environment, and assessment area credit needs. The average net loan-to-deposit ratio for five quarters ending December 31, 2001 was 95.4%, well above the national peer average.
- Enhancing the availability of credit in its assessment area, Fulton provided qualified investments totaling \$1.1 million.
- Fulton originated a majority of its total number and dollar volume of HMDA loans in the assessment area, thereby exhibiting satisfactory responsiveness to the credit needs of its community. Assessment area originations comprised 80% by number and 69.9% by dollar volume of total loans in 2000, and 73.8% by number and 62.8% by dollar volume of total loans in 2001.
- The bank's geographic distribution of HMDA-related loans reflects outstanding dispersion throughout the assessment area, including LMI geographies. In 2000, FSB extended 13% of the number and 10.8% of the dollar volume of its HMDA loans in LMI tracts, nearly doubling the HMDA aggregate ratios of 6.1% and 4.5%, respectively. The bank's ratios were relatively unchanged for 2001.
- FSB's lending reflects satisfactory penetration among individuals of different income levels, including LMI borrowers. In 2000, FSB extended 26.1% of its HMDA loans to LMI borrowers, slightly trailing the HMDA aggregate ratio of 27.6%. While declining slightly to 24.3% in 2001, the bank's LMI penetration remained reasonable.
- Neither the bank nor the New York State Banking Department has received any written complaints with respect to the bank's CRA performance.
- Fulton's delivery systems are accessible to essentially all portions of the assessment area through a network of eight branches. ATMs are available at all of the branches as well as at Cayuga Community College campus.
- Further enhancing credit availability in its community, FSB provided technical assistance to a number of community development organizations and sponsored homebuyer and small business seminars in its assessment area.

This "off-site" 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:

Fulton Savings Bank was chartered in 1871 as a New York State mutual savings bank. The bank operates eight full service branches in the following locations: two branches, including its head office in the City of Fulton, and one branch each in the Town of Schroepfel, Town of Hastings, Town of Van Buren, Town of Constantia, Hamlet of Brewerton, and Village of Hannibal. All branches have ATM facilities. In addition, the bank has a loan representative office in the City of Oswego and a loan operations center in the City of Fulton.

On December 31, 2001, Fulton reported total assets of \$272.6 million, with loans accounting for \$209.2 million or 76.8% of total assets. On the same date, total deposits were \$203.9 million, resulting in a loan-to-deposit ratio of 102.6%. The average net loan-to-deposit ratio for five quarters ending December 31, 2001 was 95.4%, well above the national peer average of 83.6%.

On June 30, 2001, ranked by number of branches and total deposits, Fulton was the largest bank in Oswego County, with six branches and 16.9% of the deposit market share. Of 171 home mortgage lenders in the bank's assessment area, Fulton ranked second in 2000, with 5.8% of the market share by number and 6.2% by dollar volume of total HMDA-reportable loans originated.

The bank provides financial services primarily to individuals and small- to medium-sized businesses and focuses on providing residential real estate, commercial, business and consumer loans.

The bank offers a wide variety of lending products including:

- 1-4 family residential mortgages
- Commercial mortgages
- Multifamily mortgages
- Construction loans
- Home Improvement loans
- Home equity lines of credit
- Commercial loans
- Consumer loans

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

TOTAL GROSS LOANS OUTSTANDING				
LOAN TYPE	12/31/2001		12/31/2000	
	\$000	%	\$000	%
Residential Mortgage Loans	153,207	72.7	114,165	64.8
Construction Loans	1,637	0.8	3,476	1.6
Commercial Mortgage Loans	37,413	17.8	38,493	21.8
Multifamily Mortgages	13,860	6.6	14,661	8.3
Commercial Loans	981	0.5	992	0.5
Consumer Loans	3,640	1.7	4,501	2.6
		0.0		0.0
Total Gross Loans	210,738	100.0	176,288	99.6

Between evaluations, the bank's loan portfolio increased by 39.8%, to \$210.7 million from \$150.7 million reported at the prior CRA evaluation date (June 30, 1999). The bank is primarily a real estate lender, with real estate-related loans accounting for \$206.1 million (97.8%) of the loan portfolio on December 31, 2001, reflecting the bank's business focus. The loan portfolio was comprised primarily of residential mortgages (72.7%), commercial mortgages (17.8%), and multifamily mortgages (6.6%).

Fulton participated in the following governmentally insured, guaranteed or subsidized loan programs for affordable housing and originated the following loans during this evaluation period:

- SONYMA - 16 loans totaling \$852 thousand
- FHA Title I - six loans totaling \$75 thousand
- FHA Title II - two loans totaling \$149 thousand and
- VA - five loans totaling \$355.6 thousand

In addition, on the evaluation date, the bank's government servicing portfolio included the following:

- SONYMA - 32 loans with an aggregate balance of \$1.7 million
- FHA Title I - 26 loans with an aggregate balance of \$363 thousand
- FHA Title II - 99 loans with an aggregate balance of \$2.6 million
- VA - 18 loans with an aggregate balance of \$507.4 thousand and
- Rural Development Housing Program - one loan with a balance of \$71.1 thousand

Fulton received a rating of "1" at its last Performance Evaluation by the New York State Banking Department as of June 30, 1999, reflecting outstanding performance in helping to meet the credit needs of its community.

There are no legal or financial impediments that prevent FSB from helping to meet the credit needs of the assessment area.

Assessment Area:

The assessment area includes most of Oswego County, except for six townships located in the northern part of the county, and Onondaga County, north of the City of Syracuse.

There are 51 census tracts in the assessment area of which five (9.8%) are moderate-income tracts, 35 (68.6%) middle-income and 11 (21.6%) upper-income tracts. There are no low-income tracts.

According to the 1990 U.S. Census, total population of the assessment area was 224.0 thousand of which 9.3% (20.7 thousand) were over the age of 65 and 25.1% (56.2 thousand) were under the age of 16.

There were 59.0 thousand families in the assessment area including 9.1 thousand (15.5%) low-income families, 10.1 thousand (17.1%) moderate, 15.1 thousand (25.5%) middle and 24.7 thousand (41.9%) upper income families. Of the total 19.2 thousand LMI families, 13.4% (2.6 thousand) lived in LMI census tracts and these families accounted for 52.3% of all the families (4.9 thousand) that lived in LMI tracts.

There were 79.0 thousand households in the area of which 33.2% (26.2 thousand) were LMI households. About 7.8% (6.2 thousand) of all households had income below the poverty level and 5.0% (3.9 thousand) received public assistance.

There are 84.9 thousand housing units in the assessment area of which 76.5% (64.9 thousand) are 1 to 4 family units, 12.5% (10.6 thousand) are multi-family units and 10.2% (8.7 thousand) are mobile homes or trailers. About 69.0% (58.6 thousand) of the housing units are owner occupied, 24.1% (20.5 thousand) are rental occupied and 6.9% (5.8 thousand) are vacant or boarded up. In 1990, the median home value in the assessment area was \$74.5 thousand and the median age of the units were 26 years.

The LMI tracts of the assessment area had 8.3 thousand housing units of which 65.1% (5.4 thousand) were 1 to 4 family units, 26.1% (2.2 thousand) multi family units and 7.8% (0.6 thousand) were mobile homes. Approximately 44.5% (3.7 thousand) of these units were owner occupied, 48.5% (4.0 thousand) rental occupied and 7.0% (0.6 thousand) were vacant or boarded up

Base on estimates by HUD, the median family income for the assessment area increased to \$50.3 thousand in 2002, from \$36.7 thousand reported for 1990 census.

According to the U.S. Department of Commerce - Bureau of Economic Analysis, the largest industries in 2000 for Oswego County were state and local government, which provided 27.5% of the county's earnings and services 16.5% of the earnings. In 2002, the largest industries for

Onondaga County were services 27.9% of earnings; durable goods manufacturing, 13.9%; and state and local government 11.6%.

According to the New York Department of Labor, the average unemployment rate for Oswego County was 6.5% in 2001 and 6.3 % in 2000 compared with 4.9% for New York State in 2001 and 4.6 % in 2000. The average unemployment rate for Onondaga County was 4.2% in 2001 and 3.6% in 2000.

Based on the location of the bank's branches and lending patterns, the bank's assessment area delineation is in conformance with the CRA regulation. There is no evidence that the bank arbitrarily excluded LMI areas.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

While on the evaluation date assets totaled \$272.6 million, Fulton's performance for the years 2000 and 2001 was evaluated under the small bank performance criteria because the bank reported total assets of only \$237 million in 1999 when its last evaluation was performed. These criteria 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.

This evaluation focuses primarily on FSB's residential lending, the bank's primary product. Based on optional information provided by the bank, the bank's qualified investments and services were also considered.

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 were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc. CRA Wiz©, an external vendor. Peer lending comparisons were made to the 2000 aggregate data, only as 2001 data were not available for purposes of this evaluation. The demographic data referred to in this report was obtained from the 1990 U.S. Census along with the updated HUD-estimated median family income.

- **Loan-to-Deposit Ratio and other Lending-Related Activities** – “Outstanding”

The bank's loan-to-deposit (“LTD”) ratio is more than reasonable given the bank's size, financial condition, competitive lending environment, and assessment area credit needs.

On December 31, 2001, the bank reported total net loans and domestic deposits of \$209.2 million and \$203.9 million, respectively, resulting in a LTD ratio of 102.6%. Based on the Uniform Bank Performance Report, the bank's average loan-to-deposit ratio for five quarters ending December 31, 2001, was 95.4%, well above the national peer average of 83.6%.

Qualified Investments

Enhancing the availability of credit in the bank's assessment area, FSB provided the following qualified investments totaling \$1.1 million on the evaluation date:

New York Business Development Corporation (NYBDC) - The bank has a \$36 thousand equity investment NYBDC. In addition, the bank extended \$83 thousand in loan commitments to the company with \$8 thousand outstanding on evaluation date. The NYBDC is a privately-owned entity created by New York State statute and funded by commercial and savings banks under lines of credit that are utilized to provide a broad range of financing to small and mid-sized businesses located in New York State.

Statewide Zone Capital Corporation (SZCC) - In 1999, the bank invested \$400 thousand in an

equity offering for Statewide Zone Capital Corporation of New York. The corporation is a privately owned loan and investment fund whose purposes is to promote the expansion and growth of new and existing business within New York’s participating economic development zones.

Community Preservation Corporation (“CPC”) – The bank has a \$6 thousand equity investment in CPC and has \$600 thousand in loan commitments to the corporation, with \$482 thousand outstanding on evaluation date. 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.

- **Proportion of Lending Within Assessment Area – “Satisfactory”**

Fulton originated a majority of the total number and dollar volume of HMDA loans in its assessment area, thereby exhibiting satisfactory responsiveness to the credit needs of its community. Specifically, in 2000, FSB extended 330 loans (80%) totaling \$21.6 million (69.9%) and in 2001, it made 450 loans (73.8%) totaling \$34.8 million (62.8%), in its assessment area.

- **Geographic Distribution of Lending – “Outstanding”**

The bank's geographic distribution of HMDA-related loans reflects outstanding dispersion throughout the assessment area, including LMI geographies.

The table below shows that of 330 HMDA loans totaling \$21.6 million that were originated by the bank within its assessment area in 2000, 43 (13%) totaling \$2.3 million (10.8%) were extended in LMI geographies, more than doubling the corresponding HMDA aggregate ratios of 6.1% by number and 4.5% by dollar volume. While lending volume increased in 2001 to 450 HMDA loans totaling \$34.8 million, the LMI penetration ratio remained relatively unchanged, with 57 loans (12.7%) totaling \$3.8 million (10.9%) originated in LMI census tracts. The 2001 HMDA aggregate was not available for purposes of this evaluation.

Distri. of HMDA Loans By Income Category of the Census Tract						
Census Tract Income Level	2001 Bank		2000 Bank		2000 Aggregate	
	#	%	#	%	#	%
Low	0	0.0%	0	0.0%	0	0.0%
Moderate	57	12.7%	43	13.0%	348	6.1%
Middle	328	72.9%	260	78.8%	3,498	61.6%
Upper	65	14.4%	27	8.2%	1,832	32.3%
zero & Nas	0	0.0%	0	0.0%	0	0.0%
Total	450	100%	330	100%	5,678	100%

The bank's LMI area penetration is excellent relative to the housing demographics of its assessment area, as well. As noted above, 9.8% of census tracts in FSB's assessment area are deemed LMI, encompassing only 8.3% of total 1-4 family units and 6.3% of owner-occupied 1-4 family units in the bank's assessment area.

Borrower Distribution of Lending – “Satisfactory”

As shown in the table below, the bank's distribution of loans reflects satisfactory penetration among individuals of different income levels, including LMI borrowers.

In 2000, of the 330 HMDA loans totaling \$21.6 million extended by the bank in its assessment area, 86 loans (26.1%) totaling \$3.3 million (15.1%) were extended to LMI individuals, slightly trailing the corresponding HMDA aggregate ratios of 27.6% by number and 19.1% by dollar volume. In 2001, of the 450 HMDA loans totaling \$34.8 million that were extended by the bank in its assessment area, 109 loans (24.3%) totaling \$5.4 million were extended to LMI borrowers, showing a slight decrease. The HMDA 2001 aggregate data was not available for purposes of this evaluation.

Distribution of HMDA Loans by Borrower Income						
Median Family Income Level	2001 Bank		2000 Bank		2000 Aggregate	
	#	%	#	%	#	%
Low	25	5.6%	19	5.8%	408	7.2%
Moderate	84	18.7%	67	20.3%	1,160	20.4%
Middle	125	27.8%	101	30.6%	1,590	28.0%
Upper	215	47.8%	140	42.4%	2,362	41.6%
Income Not Available	1	0.2%	3	0.9%	158	2.8%
Total	450	100%	330	100.0%	5,678	100%

As noted in the Performance Context, approximately 33.2% of households in the bank's assessment area are LMI households.

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

Neither the bank nor the New York State Banking Department has received written complaints with respect to the bank's CRA performance.

- **Services**

Retail Services

Fulton's delivery systems are accessible to essentially all portions of the assessment area. The bank provides a wide array of products and services through a network of eight branches

(three of which are located in moderate-income geographies), one representative office, and a loan operations center. These services include the following:

- Totally Free Checking Account – an alternative to the Basic Banking account
- Bank by mail services, available at every branch
- Direct deposit by ACH and deposit by mail from small companies that do not have ACH capabilities
- Wire transfer services
- Express Banking ATM cards that provide point-of-sale, options and access to accounts and cash around the world
- Website Banking
- Express Internet Banking that offers customers the opportunity to view accounts, make transfers between accounts, and pay bills through a bill payment system, and
- Express Telephone Banking that provides customers account information, funds transfers between accounts, and change of personal identification numbers

ATMs are available at the branches, including one at Cayuga Community College campus. Three ATMs are located in moderate-income geographies and one is adjacent to LMI census tracts. Since the prior examination, the bank opened two ATMs (one each in moderate- and middle-income geographies). Within the past two years, Fulton closed one ATM located in a moderate-income census tract. The bank maintains a branch closing policy.

Community Development Services

The bank provides technical and financial assistance to community groups and community development agencies that serve LMI individuals and communities. These include:

- Fannie Mae Western and Central New York Advisory Board
- New York State Rural Housing Coalition, Inc. Board
- Oswego Housing Development Council, Inc.
- City of Fulton Community Development Agency
- City of Oswego Community Development Office
- America's Community Bankers Mortgage Markets and Lending Committee and Predatory Lending Task Force

In 2001 and 2000, Fulton sponsored free seminars on small business financing (with assistance from the U.S. Small Business Administration and Operation Oswego County Inc.) and first time homeownership.

- **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 dated December 31, 2001 indicates a satisfactory performance in terms of adherence to anti discrimination or other applicable laws and regulations. No evidence of prohibited discrimination or other illegal credit practices was noted.

- **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 in a variety of ways, including the involvement of its directors, officers and employees in various community organizations, including the following:

- Oswego County Department of Planning and Community Development
- Fannie Mae Western and Central New York Advisory Board
- New York State Rural Housing Coalition, Inc. Board
- Oswego Housing Development Council, Inc.
- City of Fulton Community Development Agency
- City of Oswego Community Development Office
- America's Community Bankers Mortgage Markets and Lending Committee and Predatory Lending task Force

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 relies largely on community identification, reputation, tradition, stature and staff outreach programs to maintain its image in the community. FSB uses print, radio and television media for marketing support purposes, on a limited basis. Officers of the bank are encouraged to participate in community organizations and community events. In addition, the bank uses an external public relations agency to assist in marketing and public relations.

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

The bank maintains a CRA statement, reviewed and approved annually by the loan committee and the Board of Trustees. In addition, the Board of Trustees conducts monthly meetings, where management discusses CRA issues. Members of the Board also receive annual CRA training.

- **Other Factors**

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

None noted.

CHARTS FOR REPORTING OF HMDA STATISTICS

Residential Real Estate Loans - 2000 - by Borrower Income Level*										
Borrower	Total Lending				Assessment Area Lending				Aggregate**	
Income	Applics.		Originations		Applics.		Originations		Originations	
Level	#	%	#	%	#	%	#	%	#	%
Low	32	6.2	23	5.6	28	6.8	19	5.8	408	7.2
Moderate	108	20.8	78	18.9	94	22.7	67	20.3	1,160	20.4
Middle	148	28.5	114	27.6	127	30.7	101	30.6	1,590	28.0
Upper	224	43.2	191	46.2	162	39.1	140	42.4	2,362	41.6
N/A	7	1.3	7	1.7	3	0.7	3	0.9	158	2.8
Total	519	100.0	413	100.0	414	100.0	330	100.0	5,678	100.0

* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

** The term "Aggregate" refers to loans originated in the bank's assessment area by all HMDA reporting lenders.

Residential Real Estate Loans - 2000 - by Geography Income Level*										
Geo	Total Lending				Assessment Area Lending				Aggregate	
Income	Applics.		Originations		Applics.		Originations		Originations	
Level	#	%	#	%	#	%	#	%	#	%
Low	1	0.2	1	0.2	-	0.0	-	0.0	-	0.0
Moderate	57	11.0	45	10.9	54	13.0	43	13.0	348	6.1
Middle	400	77.1	312	75.5	328	79.2	260	78.8	3,498	61.6
Upper	61	11.8	55	13.3	32	7.7	27	8.2	1,832	32.3
N/A		0.0		0.0		0.0		0.0		0.0
Total	519	100.0	413	100.0	414	100.0	330	100.0	5,678	100.0

* Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

Residential Real Estate Loans - 2001 - by Borrower Income Level*								
Borrower Income Level	Total Lending				Assessment Area Lending			
	Applics.		Originations		Applics.		Originations	
	#	%	#	%	#	%	#	%
Low	37	5.0	30	4.9	30	5.5	25	5.6
Moderate	123	16.6	95	15.6	109	20.0	84	18.7
Middle	188	25.4	151	24.8	154	28.3	125	27.8
Upper	378	51.0	331	54.3	249	45.8	215	47.8
N/A	15	2.0	3	0.5	2	0.4	1	0.2
Total	741	100.0	610	100.0	544	100.0	450	100.0

* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

Residential Real Estate Loans - 2001 - by Geography Income Level*								
Geo Income Level	Total Lending				Assessment Area Lending			
	Applics.		Originations		Applics.		Originations	
	#	%	#	%	#	%	#	%
Low	5	0.7	4	0.7	-	0.0	-	0.0
Moderate	75	10.1	63	10.3	68	12.5	57	12.7
Middle	498	67.2	406	66.6	400	73.5	328	72.9
Upper	151	20.4	136	22.3	76	14.0	65	14.4
N/A	12	1.6	1	0.2	-	0.0	-	0.0
Total	741	100.0	610	100.0	544	100.0	450	100.0

* Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

GLOSSARY

Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3), above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women’s centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

A “community development service” is defined as a service that has as its *primary purpose* community development, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of

- ❖ advertising and promotions, publications, workshops and conferences;
- ❖ Furnishing financial services training for staff and management;
- ❖ Contributing accounting/bookkeeping services; and
- ❖ Assisting in fund raising, including soliciting or arranging investments.

Demand-Adjusted Penetration Rate

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area.

Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

Demand-Adjusted Penetration Ratio

A ratio that depicts geographic penetration of loans by comparing demand-adjusted lending in LMI areas with non-LMI areas. Mathematically, it is arrived at by dividing the demand-adjusted penetration rate in non-LMI areas into the demand-adjusted penetration rate in LMI areas and then expressed as a percentage.

A ratio of 100% means that the institution (or aggregate as appropriate) made an equal number of loans proportionally in LMI and non-LMI areas. Less than 100 percent would indicate less lending in LMI areas on the same basis compared to non-LMI areas, whereas over 100 percent would indicate a greater level of lending in LMI areas versus non-LMI areas.

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of \$1 million or less.

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

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

LMI Individuals/Persons

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

Small Business Loans

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