



**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: Herkimer County Trust Company
501 East Main Street
Little Falls, NY 13365

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 on-site evaluation of the Community Reinvestment Act (“CRA”) performance of Herkimer County Trust Company (“HCTC”) 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

Overall Rating

HCTC is rated "2", indicating a satisfactory record of helping to meet community credit needs. This rating reflects the following factors:

Lending Test: "High Satisfactory"

➤ ***Lending Activity:*** "High Satisfactory"

The bank's lending level continues to reflect good responsiveness to its assessment area credit needs based upon the volumes of Home Mortgage Disclosure Act ("HMDA")-related and small business loans originated within its assessment area.

➤ ***Assessment Area Lending:*** "Outstanding"

HCTC originated a substantial majority of its HMDA-related and small business loans within the assessment area. In 2000, the bank originated 90.4% by number and 90.8% by dollar volume of its HMDA loans within the assessment area. In 2001, the bank's assessment area concentrations were 91.3% and 90.4%, respectively. Of the 178 lenders that originated HMDA related loans within the bank's assessment area in 2000, HCTC had the fourth largest market share representing 4.4% by number and 2.4% by dollar volume of the total loans extended.

In 2000, the bank originated 96.5% by number and 88.1% by dollar volume of its small business loans within the assessment area. In 2001, the assessment area concentrations were 97.7% and 94.5%, respectively. Of the 48 top lenders that originated small business loans in the bank's assessment area in 2000, HCTC had the eighteenth largest market share representing 4.3% by number and 11.2% by dollar volume of total loans extended.

➤ ***Geographic Distribution*** "High Satisfactory"

HCTC's geographic distribution of loans reflects good dispersion throughout the assessment area. In 2000, the bank extended 24.4% by number and 18.8% by dollar volume of its HMDA-reportable loans in low- and moderate-income ("LMI") geographies within the assessment area, well above 9.9% and 6.7%, respectively, for the aggregate. In 2001, the bank's penetration rates were 23.3% and 9.4%, respectively.

In 2000, the bank originated 13.8% by number and 10.2% by dollar volume of its small business loans in LMI geographies within the assessment area, well below 18.2% and 19.3%, respectively, for the aggregate. In 2001, the bank's penetration rates improved to 20.3% and 17.4%, respectively. The 2001 aggregate data was not available for purposes of this evaluation.

➤ ***Borrower Characteristics:*** “High Satisfactory”

The bank’s lending reflected good penetration among individuals of different income levels and businesses (including farms) of different sizes. In 2000, the bank originated 33.4% by number and 15.5% by dollar volume of its HMDA-reportable loans to LMI individuals, well above the aggregate’s 29.4% penetration rate by number but below its 19.3% penetration rate by dollar volume. In 2001, the bank’s penetration rate for the number of loans improved to 35.0% while its dollar volume penetration rate declined to 13.1%.

The distribution of small business loans by loan size suggests that the bank is predominantly serving small- and medium-sized businesses. In 2000, 81.0 % of the bank’s small business loan originations in the assessment area were in loan amounts of \$100 thousand or less. In 2001, the penetration rate rose to 90.2%. Additionally, in 2000 approximately 72.8% of small business loans extended by HCTC within its assessment area were to businesses with gross annual revenues of less than \$1 million, well above 45.6% for the aggregate. In 2001, the bank’s small business penetration rate improved to 81.8%.

➤ ***Community Development Lending:*** “High Satisfactory”

HCTC’s community development lending for this evaluation period totaled \$2.5 million, reflecting a relatively high level of activity for a bank of its size, but representing a decline of 51.9% from the \$5.2 million reported at the prior evaluation. Total community development commitments outstanding from the prior CRA examination were \$1.3 million. Approximately \$57.2 thousand (or 2.3%) of the total community development loans given consideration at this evaluation represented new money.

➤ ***Flexible Lending Practices:*** “High Satisfactory”

The bank uses innovative and/or flexible-lending practices in order to serve the community credit needs, including programs offered by the U.S. Small Business Administration, the Farm Service Agency Guaranteed Loan program and the New York State Excelsior Linked Deposit Program.

Investment Test: “High Satisfactory”

- The bank has a significant level of qualified community development investments for an institution of its size. For this evaluation period, the bank’s total qualified investments were \$1.5 million, with \$360 thousand (24.2%) representing new money and \$691.3 funded.
- The investment total for this evaluation represents a 75.1% increase from the level reported at the prior evaluation.

- While the bank made donations to numerous organizations within its assessment area, only a small number (representing a minimal dollar volume) were awarded to organizations that had a primary purpose of community development.

Service Test: “High Satisfactory”

- ***Retail Banking Services:*** “High Satisfactory”

HCTC’s delivery systems are accessible to essentially all portions of the assessment area. The bank operates 12 full service-banking offices throughout the assessment area, of which two are located in LMI geographies and six are adjacent to LMI areas. In addition to a 24-hour Automatic Teller Machine (ATM) facility located on-site at each branch, the bank has three offsite deposit-taking ATMs, all located inside the assessment area.

Services, including business hours, do not vary in a way that inconveniences any portion of the assessment area or any group of individuals.

- ***Community Development Services:*** “High Satisfactory”

The bank provides a relatively high level of community development services. Bank personnel are actively involved with various community development organizations in HCTC’s assessment area. Additionally, the bank works with the Worker Ownership Resource Center to offer seminars on small business basics to refugees. The bank also works with Utica Neighborhood Housing Services to offer housing seminars in the Utica assessment area.

This on-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:

Herkimer County Trust Company, a state-chartered stock commercial bank and trust company established in 1833, is a wholly owned subsidiary of the Delaware-chartered Herkimer Trust Corporation Inc., a one-bank holding company. The bank comprises 99.9% of the holding company's total assets. On December 28, 2000, GROUPinsure Brokerage Holdings, Inc., a wholly owned subsidiary of the bank, ceased operation.

The bank operates 12 full service-banking offices throughout the assessment area, including the main office located in Little Falls. Seven branches are located in Herkimer County and five branches are located in Oneida County. In addition to a 24-hour ATM facility located on-site at each branch, the bank has three offsite deposit-taking ATMs, all located inside the assessment area.

The bank provides banking services to individuals and small- to medium-sized family businesses in Herkimer and Oneida. The December 31, 2001 Consolidated Reports of Condition and Income show that the bank had total assets of \$313.2 million, consisting primarily of loans and leases of \$192.9 million (61.6%) and securities of \$81.1 million (25.9%). Deposits totaled \$284.6 million, resulting in a loan-to-deposit ("LTD") ratio of 67.8%.

According to the latest available comparative deposit data, dated June 30, 2001, the bank with total deposits of \$287.2 million had a market share of 8.3%, ranking it fifth out of 18 deposit-taking institutions within its assessment area. In Herkimer County, the bank with deposits of \$248.3 million had a market share of 47.4%, ranking it first among seven institutions within the county. Herkimer County provided a substantial majority of the bank's total deposits.

The bank offers a wide variety of lending products including:

- Residential Mortgage Loans
- Home Improvement Loans
- Home Equity Lines of Credit
- Commercial Mortgages
- Commercial and Industrial Loans
- Consumer Loans
- Agricultural Loans

The table below illustrates the bank's loan portfolio as of December 31, 2001 and December 31, 2000, according to the Consolidated Reports of Condition and Income:

TOTAL GROSS LOANS OUTSTANDING				
LOAN TYPE	12/31/2001		12/31/2000	
	\$000	%	\$000	%
Residential Mortgage Loans	58,441	29.5	59,355	30.8
Construction Loans	2,590	1.3	1,548	0.8
Commercial Mortgage Loans	45,175	22.8	45,363	23.5
Multifamily Mortgages	312	0.2	328	0.2
Commercial & Industrial Loans	35,477	17.9	39,047	20.2
Consumer Loans	54,192	27.4	46,224	24.0
Agricultural Loans	582	0.3	1,114	0.6
Other Loans	1,171	0.6	0	0.0
Total Gross Loans	197,940	100.0	192,979	100.0

The above table shows that the bank is primarily a real estate lender, with real estate loans totaling \$106.5 million (53.8% of the portfolio), and commercial and consumer loans represent \$35.5 million (17.9%) and \$54.2 million (27.4%) of the total loan portfolio, respectively. Approximately 28% of total loans were 1-4 family residential loans and 22.8% were non-farm nonresidential.

HCTC's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small business and small farms includes the New York State Excelsior Linked Deposit Loan program and guarantee loans programs administered by the Federal Housing Administration and the SBA, respectively.

During this evaluation period, 178 lenders originated home mortgage loans in the bank's assessment area, including banks, mortgages companies and credit unions. The bank considers AmericaU Credit Union and The Savings Bank of Utica to be its strongest competitors.

The bank received a rating of "2" at its last CRA Performance Evaluation by the New York State Banking Department on September 30, 1999, reflecting a satisfactory record of helping to meet the needs of its community.

There were no legal or financial problems noted that would prevent HCTC from helping to meet the credit needs of its the assessment area.

Assessment Area:

The assessment area consists of Herkimer and Oneida Counties in their entireties, which comprise MSA 8680 (Utica-Rome). There are 101 census tracts in the assessment area, of which four (4.0%) are low-income tracts, 22 (21.7%) are moderate-income tracts, 51 (50.5%) are middle-income tracts and 21 (20.8%) are upper-income tracts. There are also three (3.0%) zero-income tracts in the assessment area.

According to the 1990 U.S Census, the total population of the assessment area was 316.6 thousand, of which 49.8 thousand (15.7%)¹ were above the age of 65 and 69.7 thousand (22.0%) were under the age of 16.

The area had 81.7 thousand families, of which 15.0 thousand (18.3%) were low-income, 15.5 thousand (18.9%) were moderate-income, 19.6 thousand (24.0%) were middle-income and 31.6 thousand (38.7%) were upper-income families. Of the 30.4 thousand LMI families, 8.8 thousand (28.9%) lived in LMI tracts and these families accounted for 61.3% of all the families (14.3 thousand) that lived in LMI tracts. There were 117.2 thousand households in the assessment area, of which 14.6 thousand (12.5%) had incomes below the poverty level.

There were 132.1 thousand housing units in the assessment area, of which 107.0 thousand (81.0%) were 1 to 4 family units, 13.3 thousand (10.1%) were multifamily units and 10.4 thousand (7.9%) were mobile homes. Almost 78.2 thousand (59.2%) of the housing units were owner occupied and 8.6 thousand (11.0%) of these were in LMI tracts. Approximately 39.3 thousand (30.0%) were rental occupied units and 16.7 thousand (42.6%) of these were in LMI tracts. Almost 14.8 thousand (11.2%) of all the housing units were vacant and/or boarded up. In 1990, the median housing value was \$63.8 thousand and the median age of the housing was 40 years.

In 1990, the weighted average of median family income of tracts for the assessment area was \$32.5 thousand and the weighted average of MSA/non-MSA's census median family income was \$31.7 thousand. In 2001, the weighted average of MSA/non-MSA's median family income updated by HUD was \$40.5 thousand.

According to the U.S. Department of Commerce's Bureau of Economic Analysis, the largest industries in 2000 for the MSA were services, which provided 29.0% of the MSA's earnings. State and local government accounted for 20.4% of the earnings and durable goods manufacturing, 12.3%. In 1990, the largest industries were state and local government, which generated 20.0% of the MSA's earnings. Services and durable goods manufacturing generated 19.6% and 16.6% of the MSA's earnings, respectively.

According to a Dun and Bradstreet survey, in 2001 there were 11.6 thousand businesses in HCTC's assessment area, of which 10.1 thousand (86.6%) had revenues of \$1.0 million or less. Eight hundred and sixty-one (7.4%) had revenues of more than \$1.0 million and 693 (6.0%) were businesses on which no revenues were reported. Approximately 10.7 thousand (91.9%) businesses in the assessment area had fewer than 50 employees and 9.5 thousand (81.5%) operated from a single location.

Approximately 4.5 thousand (39.0%) of all firms were service providers, 2.7 thousand (22.9%) were in the retail trade, 944 (8.1%) in construction, 846 (7.3%) in finance, insurance and real estate, 750 (6.5%) in agriculture, forestry and fishing and 610 (5.2%) in manufacturing.

¹ While percentage figures are based on exact numbers, population and housing numbers cited above have been rounded to the nearest decimal point

According to the New York Department of Labor, the average unemployment rate for Utica-Rome MSA 8680 increased to 4.6% in 2001 from 4.1 % in 2000. The New York State average unemployment rates were 4.9% and 4.6%, respectively.

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 LMI areas were arbitrarily excluded.

Details of the Assessment Area:

Herkimer County – Herkimer County has 19 census tracts, of which five (26.3%) are moderate-income and 14 (73.7%) are middle-income tracts. The county has no zero-income, low- and upper-income tracts.

According to the U.S. Census Bureau, the county had a population of 65.8 thousand in 1990 and it decreased by 1.4 thousand (2.1%) to 64.4 thousand in 2000. In 1990, the population consisted of 11.1 thousand (16.8%) residents over the age of 65 and 15.0 thousand (22.8%) under the age of 16.

In 1990, there were 17.7 thousand families in the county, of which 3.9 thousand (22.0%) were low-income families, 3.7 thousand (20.9%) were moderate-income, 4.4 thousand (24.9%) were middle-income and 5.7 thousand (32.2%) were upper-income families. Of the 7.6 thousand LMI families, 1.7 thousand (22.2%) lived in moderate-income tracts and these families accounted for 56.5% of all the families (3.0 thousand) that lived in moderate-income tracts. About 1.6 thousand (8.8%) of the total families had income below the poverty level. There were 25.0 thousand households in the county, of which 3.3 thousand (13.3%) had income below the poverty level.

There were 30.8 thousand housing units in Herkimer County, 24.7 thousand (80.3%) of which were 1 to 4 family units, 2.1 thousand (6.8%) were multifamily units and 3.7 thousand (12.0%) were mobile homes. Approximately 17.8 thousand (57.8%) of the housing units were owner occupied and 2.4 thousand (13.6%) of these were in moderate-income tracts. A further 7.1 thousand (23.2%) were rental occupied units and 2.4 thousand (34.2%) of these were in moderate-income tracts. Almost 5.9 thousand (19.3%) of all the units were vacant and/or boarded up. In 1990, the median housing value was \$56.7 thousand and the median age of the housing was 41 years.

In 1990, the median family income of tracts for the county was \$28.7 thousand and the census MSA median family income was \$31.7 thousand. In 2001, HUD's updated MSA median family income was \$40.5 thousand.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in 2000 in the county were state and local government 23.1%, services

19.6% and durable goods manufacturing 15.6%. In 1990, the major sources of earning were durable goods manufacturing 24.8%, state and local government 22.1% and services 15.1%.

According to a Dun and Bradstreet survey, in 2001 there were 2.5 thousand businesses in Herkimer County, of which 2.2 thousand (88.2%) had revenues of \$1.0 million or less. One hundred and twenty-seven (5.2%) had revenues of more than \$1.0 million and 163 (6.6%) were businesses on which no revenues were reported. Four hundred and sixty (25.2%) of the small businesses were located in moderate-income tracts. Of all businesses in the county, 2.3 thousand (92.5%) had fewer than 50 employees and 2.0 thousand (83.5%) operated from a single location.

About 866 (35.3%) of all firms were service providers, 576 (23.5%) were in the retail trade, 252 (10.3%) in agriculture, forestry and fishing, 210 (8.6%) in construction, 148 (6.0%) in finance, insurance and real estate and 127 (5.2%) in manufacturing.

According to the New York State Department of Labor, the county's average unemployment rates were 4.9% in 2000 and 4.7% in 2001. The county's unemployment rates were slightly above the MSA's average unemployment rates of 4.1% in 2000 and 4.6% in 2001. The county's average unemployment rate in 2000 was above the state's average rate of 4.6% and below the state's rate of 4.9% in 2001.

Portions of Herkimer County have been designated Empire Zones (EZ) by the State of New York, based on community economic distress. 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.

Oneida County - Oneida County has 82 census tracts, of which four (4.9%) are low-income tracts, 17 (20.7%) moderate-income, 37 (45.1%) middle-income and 21 (25.6%) upper-income tracts. There are also three (3.7%) zero-income tracts in the county.

According to the U.S. Census Bureau, Oneida County had a population of 250.8 thousand in 1990 and it decreased by 15.4 thousand (6.1%) to 235.5 thousand in 2000. Thirty-eight point seven thousand (15.4%) of the 1990 population were over the age of 65 and 54.7 thousand (21.8%) were under the age of 16.

In 1990, there were 64.0 thousand families in the county, of which 11.1 thousand (17.3%) were low-income families, 11.8 thousand (18.4%) moderate-income, 15.2 thousand (23.8%) middle-income and 25.9 thousand (40.5%) upper-income families. Of the 22.8 thousand LMI families, 7.1 thousand (31.1%) lived in LMI tracts and these families accounted for 62.6% of all the families (11.3 thousand) that lived in LMI tracts. Almost 5.6 thousand (8.8%) of the total families had income below the poverty level. There were 92.3 thousand households in the county, of which 11.3 thousand (12.3%) had income below the poverty level.

There were 101.3 thousand housing units in the county, 82.2 thousand (81.2%) of which were 1

to 4 family units, 11.2 thousand (11.1%) were multifamily units and 6.7 thousand (6.6%) were mobile homes. Approximately 60.4 thousand (59.7%) of all the housing units were owner occupied and 6.2 thousand (10.3%) of these were in LMI tracts. Another 32.2 thousand (31.8%) were rental occupied and 14.3 thousand (44.5%) of these were in LMI tracts. About 8.9 thousand (8.8%) of all the units were vacant and/or boarded up. In 1990, the median housing value was \$65.9 thousand and the median age of housing was 40 years.

In 1990, the median family income of tracts for the county was \$32.6 thousand and the census MSA median family income was \$31.7 thousand. In 2001, HUD's updated MSA median family income was \$40.5 thousand.

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 30.5%, state and local government 20.0% and durable goods manufacturing 11.7%. In 1990, the major sources of earning were services 20.3%, state and local government 19.7% and durable goods manufacturing 15.4%.

According to a Dun and Bradstreet survey, in 2001, there were 9.2 thousand businesses in Oneida County, of which 7.9 thousand (86.2%) had revenues of \$1.0 million or less. About 734 (8.0%) had revenues of more than \$1.0 million and 530 (5.8%) were businesses on which no revenues were reported. Almost 1.6 thousand (23.1%) of the small businesses were located in LMI census tracts. Approximately 8.4 thousand (91.7%) of all businesses in the county had fewer than 50 employees and 7.4 thousand (81.0%) operated from a single location.

About 3.7 thousand (40.0%) of all firms were service providers, 2.1 thousand (22.8%) were in the retail trade, 734 (8.0%) in construction, 698 (7.6%) in finance, insurance and real estate, 498 (5.4%) in agriculture, forestry and fishing, 483 (5.3%) in manufacturing and 459 (5.0%) in the wholesale trade.

According to the New York State Department of Labor, the county's average unemployment rates were 3.8% in 2000 and 4.6% in 2001. The county's rate in 2000 was slightly below the MSA's average unemployment rate of 4.1% in 2000 and the same with the MSA's rate of 4.6% in 2001. The county's average unemployment rates were below the state's average rates of 4.6% in 2000 and 4.9% in 2001.

Portions of Oneida County have been designated EZ by the State of New York, based on community economic distress. 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.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

This performance evaluation incorporates a review of the bank's lending, investment, and service activities within the assessment area during 2000 and 2001.

Statistics utilized in this evaluation were derived from various sources. In addition to loan information submitted by the bank, aggregate data for HMDA-reportable and small business loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc. CRA Wiz®, an external vendor. Demographic data, along with the 2001 HUD-estimated median family income, are from the 1990 U.S. Census data.

Comparisons for the bank's HMDA-reportable and small business are based on the 2000 aggregate. The 2001 aggregate data was not available for purposes of this evaluation.

I. Lending Test: High Satisfactory

The bank's lending performance was evaluated pursuant to the following criteria: (1) Lending Activity; (2) Assessment Area Concentration; (3) Distribution of Lending based on Census Tract income; (4) Distribution of Lending based on Borrower Characteristics; (5) Community Development Lending; and (5) Innovative or Flexible Lending Practices.

In the analysis of factors (1), (2), and (3) above, examiners focused on the bank's HMDA-reportable and small business loans.

Lending Activity: "High Satisfactory"

The bank's lending level continues to reflect good responsiveness to the credit needs of its assessment area based upon the volumes of HMDA-related and small business loans originated by the bank.

HMDA-reportable loans

In 2000, the bank originated 281 HMDA loans totaling \$7.6 million. The number of loan originations declined by 6.4% to 263 loans in 2001, while the dollar volume increased by 9.2% to \$8.3 million.

Table I below shows that HCTC's HMDA-related loans were comprised primarily of home improvement loans, representing 64% and 58% of total HMDA loans in 2000 and 2001, respectively.

Table 1

DISTRIBUTION OF HMDA-REPORTABLE LOANS BY PURPOSE				
PRODUCTS	2001		2000	
	#	%	#	%
Home Purchase	47	19.6%	51	20.1%
Refinancing	53	22.1%	41	16.1%
Multifamily	1	0.4%	0	0.0%
Home Improvement	139	57.9%	162	63.8%
TOTAL	240	100.0%	254	100.0%

Small business loans

In 2000, the bank originated 202 small business loans totaling \$20.1 million. The number of loan originations increased by 50.0% to 303 loans in 2001, while the dollar volume declined by 18.7% to \$16.4 million.

Assessment Area Lending: "Outstanding"

The bank originated a substantial majority of its HMDA-related and small business loans within the assessment area during this evaluation period.

HMDA-reportable loans

In 2000, the bank originated 281 (\$7.6 million) HMDA loans, of which 254 (90.4%) loans for \$6.9 million (90.8%) were within its assessment area. In 2001, the bank's HMDA loan originations totaled 263 (\$8.3 million), of which 240 (91.3%) loans for \$7.5 million (90.4%) were within the assessment area.

Of the 178 lenders that originated HMDA related loans within the bank's assessment area in 2000, HCTC had the fourth largest market share with 4.4% by number and 2.4% by dollar volume.

Small Business Loans

Of the 202 small business loans for \$20.1 million originated by the bank in 2000, 195 loans (96.5%) totaling \$17.7 million (88.1%) were within its assessment area. Assessment area loans totaled 296 (97.7%) for \$15.5 million (94.5%) in 2001, out of total of 303 (\$16.4 million) small business loans originated by the bank during that year. The number of assessment area originations increased in 2001 by 51.8%, while the dollar volume decreased by 13.0%.

Of the 48 top lenders that originated small business loans in the bank's assessment area in 2000, HCTC had the eighteenth largest market share representing 4.3% by number and 11.2% by dollar volume of total loans extended.

Geographic Distribution of Loans: “High Satisfactory”

HCTC’s geographic distribution of HMDA related and small business loans reflects good dispersion throughout the assessment area.

HMDA Loans

Table 2 below shows that of the 254 (\$6.9million) HMDA loans originated by the bank within its assessment area in 2000, 62 (24.4%) loans totaling \$1.3 million (18.8%) were extended in LMI geographies. The bank’s LMI penetration was well above the 9.9% penetration rate for the number and 6.7% penetration rate for the dollar volume of loans achieved by the aggregate. In 2001, HCTC made 56 (23.3%) or \$706 thousand (9.4%) loans in moderate-income geographies, but made no loans in low-income geographies. The 2001 aggregate data were not available for purposes of this evaluation.

Table 2

Distribution of HMDA Loans By Income Category of the Census Tract						
Census Tract Income Level	2001		2000			
	Bank		Bank		Aggregate	
	#	%	#	%	#	%
Low	0	0.0%	2	0.8%	10	0.2%
Moderate	56	23.3%	60	23.6%	554	9.7%
Middle	153	63.8%	172	67.7%	3,635	63.4%
Upper	31	12.9%	20	7.9%	1,525	26.6%
Zero & NA	0	0.0%	0	0.0%	5	0.1%
Total	240	100.0%	254	100.0%	5,729	100.0%

Small Business Loans

In 2000, the bank originated 195 (\$17.7 million) small business loans within the assessment area, of which 27 (13.8%) loans for \$1.7 million (10.2%) were in LMI tracts. The bank’s LMI geography lending rates were well below 18.2% and 19.3%, respectively, for the aggregate. The bank’s LMI penetration rates improved in 2001. Of the 296 (\$15.5 million) small business loans extended for this period, 60 (20.3%) totaling \$2.7 million (17.4%) were in LMI tracts.

As noted above, LMI geographies accounted for 25.7% of the total census tracts in the assessment area.

Borrower Characteristics: “High Satisfactory”

As shown in Tables 3 and 5 below, the bank’s lending reflected good penetration among individuals of different income levels and businesses (including farms) of different sizes.

Of the 254 (\$6.9 million) HMDA loans extended by HCTC in 2000, 85 (33.4%) loans totaling \$1.1 million (15.5%) went to LMI individuals, well above the 29.4% and 19.3% penetration rates achieved by the aggregate for the number and dollar volume of loans, respectively. Of

the 240 (\$7.5 million) HMDA loans originated by the bank in 2001, 84 (35.0%) loans for \$985 thousand (13.1%) went to LMI individuals. The 2001 aggregate data were not available for comparison.

Table 3

Distribution of HMDA Loans by Borrower Income						
Median Family Income Level	2001		2000			
	Bank		Bank		Aggregate	
	#	%	#	%	#	%
Low	20	8.3%	25	9.8%	470	8.2%
Moderate	64	26.7%	60	23.6%	1,212	21.2%
Middle	58	24.2%	82	32.3%	1,554	27.1%
Upper	90	37.5%	83	32.7%	2,334	40.7%
Income Not Available	8	3.3%	4	1.6%	159	2.8%
Total	240	100.0%	254	100.0%	5,729	100.0%

Small Business Loans

The distribution of small business loans by loan size (shown in table 4) suggests that the bank is primarily serving small- and medium- sized businesses. Table 4 shows that in 2000, 81 % of the number of small business loans the bank originated in the assessment area were in loan amounts of \$100 thousand or less. The corresponding rate for 2001 was 90.2%. The bank's small business lending rate for 2000 was below the aggregate's rate of 93.0%. Small business loans in amounts greater than \$100 thousand but less than \$250 thousand were 9.7% and 6.4% for 2000 and 2001, respectively, while the corresponding aggregate percentage for 2000 was 4.0%.

Table 5 indicates that approximately 72.8% of HCTC's assessment area originations for 2000 were to businesses with annual revenues of less than \$1 million, well above 45.6% for the aggregate. In 2001, the bank's penetration rate for loans to small businesses increased to 81.8%. Aggregate data was not available for 2001.

Table 4

Distribution of Small Business Loans By Loan Size								
Loan Size (000's)	2001				2000			
	Bank				Bank			
	#	%	\$000's		#	%	\$000's	%
≤ \$100	267	90.2%	8,050	52.1%	158	81.0%	5,580	31.4%
> \$100 ≤ \$250	19	6.4%	3,288	21.3%	19	9.7%	3,232	18.2%
> \$250	10	3.4%	4,116	26.6%	18	9.2%	8,934	50.3%
Total	296	100.0%	15,454	100.0%	195	100.0%	17,746	100.0%

Table 5

Distribution of Small Business Loans By Gross Annual Revenues of Businesses				
Gross Annual Revenues (000's)	2001		2000	
	Bank		Bank	
	#	%	#	%
≤ \$1,000	242	81.8%	142	72.8%
> \$1,000	54	18.2%	53	27.2%
Total	296	100%	195	100%

Community Development Lending: "High Satisfactory"

HCTC's community development lending for the evaluation period totaled \$2.5 million, representing a relatively high level for a bank of its size, but reflecting a 51.9% decline from the \$5.2 million reported at the prior evaluation. Total community development commitments outstanding from the prior CRA examination were \$1.3 million. Approximately \$57.2 thousand (2.3%) of the total community development loans given consideration at this evaluation represent new money. As shown in Table 6 below, 25.4%, 39.3% and 35.3% of the community development loans supported affordable housing, community services and economic development, respectively.

The table below summarizes the community development loans given consideration at this evaluation.

Table 6

Qualified Community Development Lending Activity							
Affordable Housing		Community Services		Economic Development		Total	
Committ'	New \$	Committ'	New \$	Committ'	New \$	Committ'	New \$
634,325	-	979,722	25,000	881,639	32,190	2,495,686	57,190

The following is a summary of the bank's community development loans for the evaluation period:

Community Preservation Corporation ("CPC") – On July 31, 1992, the bank committed a \$130 thousand revolving line of credit with \$88 thousand outstanding as of the evaluation date to CPC. 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 bank lines of credit, for housing construction and rehabilitation, as well as permanent financing through purchases of collateral trust notes backed by CPC mortgages.

New York Business Development ("NYBDC") - As a member bank, HCTC funded \$32.2 thousand as part of its prorated share of a \$318 thousand loan commitment to NYBD in 2001. Founded in 1955, NYBDC is a privately owned and managed corporation in which 156 New York State commercial and savings banks, 85 shareholders and the New York

State Common Retirement Fund pool resources and share risks to help diverse small business enterprises expand in New York State.

Catholic Family & Community Services (“CFCS”) - The bank extended a \$75 thousand line of credit to CFCS, including \$25 thousand made during this review period. Established in 1980, CFCS is a nonprofit organization that acts as an agency for the Catholic Charities of Herkimer County of the Diocese of Albany. CFCS provides services to those in need, including services for troubled youth, mental health, substance abuse, and services to help victims of domestic violence.

Utica Area Chamber of Commerce (“UACC”) - In 2001, the bank with two other banks extended a \$750 thousand 10-year term loan for the consolidation of three renovation loans to UACC. Each participant bank has a \$250 thousand share. UACC is a nonprofit corporation founded in 1896 to establish and maintain a climate that encourages and assists businesses to locate, grow, and prosper in the Greater Utica Area. It provides administration services for the State of New York Department of Labor and the Oneida-Herkimer-Madison Counties Consortium On-the-Job Development and Placement Services Program. UACC provides services to the public, members and municipalities.

Human Technologies Corporation (“HTC”) – During the evaluation period, the bank renewed a \$750 thousand line of credit originated in July of 1998 to HTC. In September of 1995, HTC received a \$400 thousand, 15-year mortgage, of which \$154.7 thousand was outstanding as of the evaluation date. HTC, established in 1954, is a nonprofit corporation. It is a combination of a social service agency and a manufacturing service corporation, including a sheltered workshop for the physically and mentally disabled people in Oneida and Herkimer counties. The corporation operates two mental health clinics in Utica and Rome, and conducts three different business operations; *sewing and assembly*, under both State and Federal Government contracts, *janitorial services*, and *silk screen printing*. The company receives direct grants from the state of New York for the rehabilitative services it performs in connection with the sheltered workshop clients.

Herkimer County Industrial Development Agency (“HCIDA”) - In September of 1997, the bank made a \$666.3 thousand, 15-year mortgage loan to HCIDA, with \$599.4 thousand outstanding as of the evaluation date. The loan is secured by land, building, and assignment of lease on building in the North Business Park in Frankfort, Herkimer County. HCIDA is a nonprofit organization created in October of 1970 with the main purpose of encouraging economic growth in Herkimer County.

Academy Apartments LP - In June of 1998, the bank made a \$550 mortgage loan secured by a 32-unit apartment building located at 637 John Street in the City of Little Falls, Herkimer County. The building is located in a moderate-income census tract. The loan included the refinancing of \$436.7 thousand in loans granted by the bank in 1991 and secured by mortgages on the building. On the evaluation date, \$504.3 thousand was outstanding under this facility. Academy Apartments LP provides low-income housing in the City of Little Falls. In addition to the mortgage loans provided by HCT, funding also received a second mortgage

from the Little Falls Urban Housing Agency. Sixteen of the units are leased under Section 8 Housing Assistance payments from the U.S. Department of Housing and Urban Development.

Flexible Lending Practices: “High Satisfactory”

The bank uses a number of innovative and/or flexible lending practices to help serve the credit needs of its assessment area, including the following:

Small Business Administration (“SBA”)-HCTC is a participating lender under several Small Business Administration (“SBA”) programs, including the SBA 7(A) Loan Guaranty Program. During the period under review, the bank had seven SBA 7(a) loans totaling \$303 thousand outstanding. The 7(A) program provides loans to small businesses unable to secure financing on reasonable terms through normal lending channels. The program operates through private-sector lenders that provide loans, which are in turn, guaranteed by the SBA. Effective December 22, 2000, a maximum loan amount of \$2 million has been established under the 7(a) loans. However, the maximum dollar amount the SBA can guaranty is generally \$1 million. Small loans carry a maximum guaranty of 85%. Loans are considered small if the gross loan amount is \$150 thousand or less. For loans greater than \$150 thousand, the maximum guaranty is 75%.

Farm Service Agency Guaranteed Loan Program (“FSA”)-The bank is a participating lender under the FSA loan guaranty program including its interest assistance program. During the review period, HCTC did not originate any loan under this program; however, the bank had 12 loans totaling \$1.5 million outstanding from the prior CRA evaluation.

The FSA loan program provides participating lenders with guaranties of up to 95% of principal of farm ownership loans or operating loans that meet the qualifying criteria. FSA can guaranty farm ownership and operating loans up to \$700 thousand. Under its Interest Assistance program, it will subsidize four percentage points of the interest rate on loans to qualifying borrowers. Farm ownership loans could have terms of up to 40 years and operating loans could have terms of up to seven years.

New York State Excelsior Linked Deposit Loan program (“ELDP”)- The bank is an approved lender under the New York State Excelsior Linked Deposit Loan program, with four loans (\$930 thousand) extended to small businesses through this program. The ELDP encourages small business investments in modernization and growth of physical plant by providing interest rate subsidies up to 3% for two-year periods.

Herkimer County Trust Company Community Home Buyers Program- In partnership with Utica Neighborhood Housing Service (“UNHS”), the bank developed the First Time Homebuyer program to assist low- and moderate-income individuals attain home ownership. Mortgages are priced to attract potential homebuyers whose income equals 80% of the area's median income. This program features a low minimum down payment of 3% of the lesser of the appraised value or purchase price of the home, and a maximum loan-to-value ratio of 97%. If the loan is used with other community programs, the combined loan-to-value ratio can be as

high as 115%. Closing costs and the down payment may be a gift, grant or through a second mortgage. However, the borrower must make a minimum of \$500 in down payment. The bank made ten loans (\$364.9 thousand) under this program, during the evaluation period.

Investment Test: “High Satisfactory”

The bank has a significant level of qualified community development investments for an institution of its size. The \$1.5 million given consideration at this evaluation represents an increase of 75.1% over the \$849.8 thousand reported at the prior evaluation. New money accounted for \$360 thousand or 24.2% of the total qualified investments reported. Investments in equity, bonds and collateral trust notes totaled \$128.2 thousand, \$1.1 million and \$260 thousand, respectively. Virtually all (92.1%) of the qualified investments were for activities that promote affordable housing while the balance was for economic development.

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

Community Preservation Corporation (“CPC”) - The bank committed \$260 thousand to CPC to purchase Collateral Trust Notes during this evaluation period. 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 bank lines of credit, for housing construction and rehabilitation, as well as permanent financing through purchases of collateral trust notes backed by CPC mortgages.

Dolgeville Housing Authority - In July 1992, the bank invested \$1.1 million in Dolgeville Housing Authority bonds (20-year notes maturing July 1, 2021, secured by a mortgage). The notes are secured by the Parkside Court Apartments, located in Dolgeville, Herkimer County. The property is a 44 unit Senior Citizen Housing complex operated by the Authority under a Section 8 Housing Assistance Payment Contract with the U.S. Department of Housing and Urban Development (“HUD”). As of this evaluation, \$563.2 thousand of the notes has been funded

Statewide Zone Capital Corporation (“SWZCC”) - In August 2000, the bank invested \$100 thousand in an equity offering of the SWZCC. The corporation is a privately owned loan and investment fund whose capital will be used to promote the expansion and growth of new and existing businesses within New York’s 51 participating economic development zones.

New York Business Development Corporation (“NYBDC”) - In August 1989, the bank invested almost \$18.2 thousand in an equity offering of NYBDC. Founded in 1955, NYBDC is a privately owned and managed corporation in which 156 New York State commercial and savings banks, 85 shareholders and the New York State Common Retirement Fund pool resources and share risks to help diverse small business enterprises expand in New York State.

The Federal Agricultural Mortgage Company ("Farmer Mac") - In January 1989, the bank invested \$10 thousand in an equity offering of Farmer Mac, an entity created by Congress in 1988 with the passage of the Farm Credit Act. Congress created Farmer Mac to attract new capital for long term financing of agricultural real estate and rural housing and to provide greater liquidity to rural lenders. Its purpose is to ensure that farmers have a stable and reliable source of credit to meet their current and future agricultural needs.

The investments made by the institution were not considered to be particularly innovative or complex. Additionally, while the bank made donations to numerous organizations within its assessment area, only a small number (representing a minimal dollar volume) were extended organizations that had a primary purpose of community development.

III. Service Test: " High Satisfactory "

Retail Banking Services – "High Satisfactory"

HCTC's delivery systems are accessible to essentially all portions of the assessment area. The bank operates 12 full service-banking offices throughout the assessment area, two of which are located in LMI geographies. Five branches in middle-income areas and one branch in an upper-income tract are adjacent to LMI geographies.

In addition to a 24-hour ATM facility located on-site at each branch, the bank has three offsite deposit-taking ATMs, all located inside the assessment area. One offsite ATM is located in a moderate-income tract and one is adjacent to LMI geographies

The bank offers PRIME Line telephone banking and PRIME PC, which give customers access to their accounts 24 hours a day from any touch-tone telephone or personal computer. Customers can transfer funds between accounts, confirm recent deposits, find out if a specific check has been received for payment, and more.

In addition, HCTC offers the "No Frills Checking" account without service charges or minimum balance requirements and no per-check charges. This account also has unlimited check-writing privileges and monthly statements detailing all transaction activity. The terms of this account are more favorable than those required by the General Regulations of the Banking Board – Part 9 Basic Banking Accounts.

Other services offered by the bank, include:

- Web Banking (Primnet Internet Banking (www.hct.bank.com), which allows customers to use the services that best fit their needs, including making loan payments. The site describes both consumer and business products, services, and rates on loan and deposits products.
- ACH services, which electronically transmit debits and credits between banks on customers' behalf.

- Prime 55 Checking for people 55 years of age or older. This account offers all the benefits of Prime Plus Checking, and a Prime 55 membership card entitling members to the bank's merchant discount program, free travelers checks, preferred rates on CDs and free rental on small safe Deposit box.
- The bank has a Visa debit card (HCT Prime Card), which debits the customer's checking account when the card is used for a purchase. Bank by mail is also available for deposit and loan products.
- Social Security Direct Deposit

Services, including business hours, do not vary in a way that inconveniences any portion of the assessment area or any group of individuals. Extended evening hours are offered Thursdays and Fridays at the Marcy, New Hartford, and Oriskany offices. The Price Chopper branch has extended evening hours Monday through Friday, in addition to Saturday and Sunday hours. Saturday hours are also offered at Dolgeville, Herkimer, March, New Hartford and Price Chopper branches.

Community Development Services: - "High Satisfactory"

The bank provides a relatively high level of community development services. The following is a sample of the bank's community development services during the evaluation period:

Worker Ownership Resource Center ("WORC") - HCTC works with WORC to offer seminars on small business to refugees. These seminars teach business basics. WORC is a community economic development organization dedicated to empowering low income and other disadvantaged people to participate in their local economies through the creation of business enterprises.

Utica Neighborhood Housing Service ("UNHS") – The bank also works with UNHS to offer seminars on low-income housing in the Utica assessment area. UNHS is a nonprofit intermediary that creates and preserves affordable housing, and promotes increased investment in underserved and declining neighborhoods through a broad range of lending, development/rehabilitation, and homebuyer education and counseling initiatives.

Various organizations - Bank personnel are actively involved with various organizations in the community in several capacities, including the following:

- ✓ Utica Neighborhood Housing Services – Loan Committee
- ✓ New York Business Development Center – Loan Committee
- ✓ Valley United Way – Board Member/Finance Committee
- ✓ United Way of Greater Utica – Marketing Committee
- ✓ America Red Cross, Utica Chapter – Director, Finance and Audit Committee
- ✓ Habitat for Humanity – Volunteer

- ✓ WORC – Board Member
- ✓ Herkimer County Area Development Corporation – President
- ✓ Herkimer County Industrial Development Agency – Member
- ✓ Herkimer Area Resource Center – Director, Finance Committee, Vice President
- ✓ Leadership Mohawk Valley – Board of Directors, Member, Past/Founding President
- ✓ Mohawk Valley United Way – Finance & Allocations Committees
- ✓ Mohawk Valley EDGE – Board Members
- ✓ Mohawk Valley Chamber of Commerce – Board Member and Chairman

IV. Discrimination or Other Illegal Practices

Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.

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

Evidence of prohibited discriminatory or other illegal credit practices.

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

V. Process Factors

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

HCTC ascertains the credit needs of its community in a variety of ways, including the involvement of its directors, officers and employees in community organizations such as chambers of commerce, Utica Neighborhood Housing Services, community boards, merchants' associations, trade organizations, civic and fraternal organizations.

The bank also ascertains the credit needs of its assessment area through direct contact with elected officials, other public officials and community leaders. In addition, the bank solicits opinions of community organizations, religious organizations and government agencies.

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.

HCTC uses print media, local radio and television to advertise and inform members of the community about the products and services the bank offers. Print media utilized by the bank includes *The Evening Times*, *The Evening Telegram* and *The Utica Observer Dispatch*.

Directors, officers and employees of HCTC are actively involved in local community activities that enable them to keep the community informed of the products and services offered by the bank. Radio stations used by the bank include the *WODZ/WFRG* station in Oriskany and the *WIBX/WLZW* station in Utica. Television advertisements are aired on *CNN*, *USA* and *Lifetime*.

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

The bank maintains a CRA statement developed by the CRA Officer with help from the CRA Committee, which meets annually. The Board of Directors reviews and approves the CRA statement annually. In addition, the board monitors the bank's lending activity through a monthly review of loan applications and extensions of credit to businesses and individuals within the community.

The CRA Officer monitors changes in CRA regulations and passes on the information to senior management. The CRA Officer also monitors the bank's overall CRA efforts.

VI. 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.

HCTC made donations totaling \$129.5 thousand to various community organizations within the assessment area.

Exhibit 1

Residential Real Estate Loans - 2000 - by Borrower Income Level*										
Borrower	Total Lending				Assessment Area Lending				Aggregate**	
Income	Applics.		Originations		Applics.		Originations		Originations	
Level	#	%	#	%	#	%	#	%	#	%
Low	47	13.0	27	9.6	42	12.9	25	9.8	470	8.2
Moderate	95	26.3	66	23.5	87	26.7	60	23.6	1,212	21.2
Middle	108	29.9	91	32.4	96	29.4	82	32.3	1,554	27.1
Upper	105	29.1	92	32.7	96	29.4	83	32.7	2,334	40.7
N/A	6	1.7	5	1.8	5	1.5	4	1.6	159	2.8
Total	361	100.0	281	100.0	326	100.0	254	100.0	5,729	100.0

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

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

Exhibit 2

Residential Real Estate Loans - 2000 - by Geography Income Level*										
Geo	Total Lending				Assessment Area Lending				Aggregate	
Income	Applics.		Originations		Applics.		Originations		Originations	
Level	#	%	#	%	#	%	#	%	#	%
Low	3	0.8	2	0.7	3	0.9	2	0.8	10	0.2
Moderate	96	26.6	68	24.2	84	25.8	60	23.6	554	9.7
Middle	236	65.4	188	66.9	216	66.3	172	67.7	3,635	63.4
Upper	26	7.2	23	8.2	23	7.1	20	7.9	1,525	26.6
N/A	-	0.0	-	0.0	-	0.0	-	0.0	5	0.1
Total	361	100.0	281	100.0	326	100.0	254	100.0	5,729	100.0

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

Exhibit 3

Residential Real Estate Loans - 2001- by Borrower Income Level*								
Borrower Income Level	Total Lending				Assessment Area Lending			
	Applics.		Originations		Applics.		Originations	
	#	%	#	%	#	%	#	%
Low	38	11.8	23	8.7	34	11.6	20	8.3
Moderate	84	26.2	71	27.0	76	25.9	64	26.7
Middle	77	24.0	62	23.6	72	24.5	58	24.2
Upper	114	35.5	99	37.6	104	35.4	90	37.5
N/A	8	2.5	8	3.0	8	2.7	8	3.3
Total	321	100.0	263	100.0	294	100.0	240	100.0

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

Exhibit 4

Residential Real Estate Loans - 2001 - by Geography Income Level*								
Geo Income Level	Total Lending				Assessment Area Lending			
	Applics.		Originations		Applics.		Originations	
	#	%	#	%	#	%	#	%
Low	-	0.0	-	0.0	-	0.0	-	0.0
Moderate	74	23.1	61	23.2	68	23.1	56	23.3
Middle	215	67.0	171	65.0	194	66.0	153	63.8
Upper	32	10.0	31	11.8	32	10.9	31	12.9
N/A	-	0.0	-	0.0	-	0.0	-	0.0
Total	321	100.0	263	100.0	294	100.0	240	100.0

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

GLOSSARY

Aggregate

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

Community Development

The term “community development” is defined to mean:

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

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

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

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

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

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

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

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

Demand-Adjusted Penetration Rate

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

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

Demand-Adjusted Penetration Ratio

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

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

Home Mortgage Disclosure Act (“HMDA”)

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

Loans to Small Businesses

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

Low or Moderate Income (“LMI”) Geographies

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

LMI Borrowers

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

LMI Individuals/Persons

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

Small Business Loans

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